LeasePlan announces Q4 and Full Year 2018 results

AMSTERDAM, the Netherlands, 13 February 2019 – 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 2018 results.

Financial highlights

- Net result up 12.9% to EUR 71 million in Q4, full year down 9.2% to EUR 424 million which includes impairments in Turkey and Germany
- Underlying[1] net result up 6.4% to EUR 108 million in Q4, full year up 8.4% to EUR 576 million after strong underlying performance in "Car-as-a-Service" (CaaS) and CarNext.com
- Serviced fleet up 4.4% to 1.82 million vehicles driven by demand for CaaS from corporate and SME segment
- Lease & Additional Services (CaaS) Q4 underlying Gross Profit up 3.5% to EUR 365 million, full year up 6.6% to EUR 1,489 million
- CarNext.com B2C volumes up 55% to 13,775 vehicles in Q4, full year up 65% to approximately 50,000 vehicles and a 21% run-rate for B2C sales penetration[2]. Used Car-as-a-Service (UCaaS) contracts were up 60% in Q4 to approximately 1,900 and 150% for the full year to 8,000
- "The Power of One LeasePlan" operational excellence programme delivered approximately EUR 55 million of benefits over 2018 bringing the total to EUR 185 million, a portion of which were passed on to customers in the form of efficiencies

	Q4 2018	Q4 2017	% YoY Growth	2018	2017	% YoY Growth
PROFITABILITY						
Underlying net result (EUR Million)	107.5	101.0	6.4%	576.2	531.5	8.4%
Net result (EUR Million)	70.8	62.7	12.9%	423.6	466.6	-9.2%
Underlying return on equity				17.3%	16.7%	
VOLUME						
Serviced fleet (thousands), as at 31 December				1,822.2	1,745.3	4.4%
# of vehicles sold (k)	65.6	63.2	3.8%	260.2	259.6	0.2%

Tex Gunning CEO of LeasePlan

"I am delighted to announce another set of solid results for our Car-as-a Service and CarNext.com businesses in 2018 as well as a strong Q4. We now have over 1.8 million cars on the road in more than 30 countries, our Q4 underlying net result continued to increase and our underlying return on equity is now 17.3%. These results underscore the strength of our strategy to lead the megatrend from ownership to subscription models for both new and high-quality used cars.

Our core Car-as-a-Service business for new cars continued its strong performance in 2018, supported by the positive impact of our "Power of One LeasePlan" operational excellence program, which has now been fully embedded in the organization. In addition, we have continued to strengthen our offering of innovative, sustainable products and services. This includes our full package EV solution – which now has been rolled out in 10 countries.

Over the year, we also significantly grew our disruptive CarNext.com marketplace for high-quality used cars. Launched just over a year ago, CarNext.com sold close to 50,000 cars B2C and is now available for both B2B and B2C customers in 22 countries, supported by a network of 32 delivery stores. CarNext.com's innovative Used Car-as-a-Service proposition also grew an impressive 150% to 8,000 cars, reflecting the growing demand for subscription services in the used car segment.

Looking ahead, our leadership position across both of our businesses will be enhanced by our commitment to offering what's next in sustainable mobility services and our Digital LeasePlan program, which we began to implement across the company in 2018. Digital LeasePlan will enable us to provide a best-in-class digital service to our customers at lower cost levels, and ultimately enable us to deliver 'any car, anytime, anywhere'.

[1] This press release has not been audited. In the press release we use certain Alternative Performance Measures to present and discuss our underlying performance and value creation, in addition to the IFRS financial statements. For this purpose net result has been adjusted to arrive at underlying net result for impacts related to unrealized results on financial instruments, one-time items related to the acquisition or sale of subsidiaries, large restructuring and consultancy programmes (e.g. those related to the Power of One LeasePlan), transaction costs (e.g. the costs incurred in preparation for a potential IPO) and other items which are large and can vary significantly and for which such variability may not relate to LeasePlan's ongoing net result or trends. For this reason impairment charges for Turkey and Germany have been taken out retrospectively as from Q4 2018. Please see note on page 16 of the press release for a reconciliation to IFRS.

[2] Number of vehicles sold directly to consumers as a percentage of total vehicles sold in the period

Group performance

In millions of euros, unless otherwise stated	Q4 2018	Q4 2017	% YoY Growth	2018	2017	% YoY Growth
Lease & Additional Services income	1,639.3	1,654.7	-0.9%	6,528.1	6,497.8	0.5%
Vehicle Sales & End-of- contract fees	686.5	684.8	0.2%	2,990.3	2,863.1	4.4%
Revenues	**2,325.8**	**2,339.5**	**-0.6%**	**9,518.4**	**9,360.9**	**1.7%**
Underlying cost of revenues	1,945.0	1,968.6	-1.2%	7,920.8	7,806.8	1.5%
Lease Services	155.3	142.1	9.3%	617.0	575.6	7.2%
Fleet Management & other Services	63.0	67.3	-6.5%	280.2	276.6	1.3%
Repair & Maintenance Services	81.3	85.4	-4.8%	322.4	307.0	5.0%
Damage Services and Insurance	65.2	57.5	13.4%	269.4	237.8	13.3%
Underlying lease and additional Services	**364.8**	**352.3**	**3.5%**	**1,489.0**	**1,397.0**	**6.6%**
End of Contract fees	29.4	27.8	5.8%	123.5	115.9	6.6%
Profit/Loss on disposal of vehicles	-13.5	-9.2	46.4%	-14.9	41.2	-136.2%
Profit/Loss on disposal of vehicles & End-of-contract fees	**15.9**	**18.6**	**-14.4%**	**108.6**	**157.1**	**-30.8%**
Underlying gross profit	**380.7**	**370.9**	**2.6%**	**1,597.6**	**1,554.1**	**2.8%**
Underlying operating expenses	253.3	253.3	0.0%	887.5	879.9	0.9%
Other income	-	-		0.1	-	
Share of profit of investments accounted for using the equity method	0.7	0.6		3.3	2.3	
Underlying profit before tax	**128.1**	**118.2**	**8.3%**	**713.5**	**676.6**	**5.5%**
Underlying tax	20.6	17.2	19.7%	137.3	145.0	-5.3%
Underlying net result	**107.5**	**101.0**	**6.4%**	**576.2**	**531.5**	**8.4%**
Underlying adjustments	-36.7	-38.3		-152.6	-64.9	
Reported net result	**70.8**	**62.7**	**12.9%**	**423.6**	**466.6**	**-9.2%**
Staff (FTE's at year end)				7,508	6,660	12.7%
Impairment pre-tax/net of tax (included in underlying adjustments)	-18.0 / -12.3	-		-132.0 / -108.9	-	

In the press release we use certain Alternative Performance Measures to present and discuss our underlying performance and value creation, in addition to the IFRS financial statements. (See note on page 16 of this press release)

Financial performance Q4

Revenues overall were down 0.6% in Q4 to EUR 2,326 million. Underlying Lease & Additional Services income was down 0.9% (down 0.3% on a constant currency basis) and Vehicle Sales and End-of-Contract Fees were flat at EUR 687 million.

Underlying gross profit was up 2.6% to EUR 381 million in Q4. Lease & Additional Services for Q4 was up 3.5% to EUR 365 million driven by growth in Lease Services and Damage Services & Insurance and supported by "The Power of One LeasePlan" operational excellence programme. Profit-and-Loss on Disposal of Vehicles (PLDV) & End of Contract Fees decreased by EUR 2.7 million in Q4 due to lower PLDV. These PLDV results reflected the continued normalisation of sales results of vehicles coming off-contract following the period of excess profits on contracts written after the financial crisis, partially offset by B2C uplift from CarNext.com.

Underlying operating expenses were flat in Q4 at EUR 253 million reflecting effective cost control across the organization, despite continuing investment in key long term growth initiatives , especially in Digital LeasePlan and CarNext.com.

The **underlying tax rate** in Q4 was 16.1%, 1.5% higher than in Q4 of 2017 driven by lower tax rates in the US and Italy but impacted by a one-off US tax reform benefit in the comparative quarter in 2017.

Underlying net result increased by 6.4% to EUR 108 million reflecting the strong performance of LeasePlan's Car-as-a-Service business and CarNext.com.

Net results over Q4 were up 12.9%, due to continued growth in the core CaaS activities combined with sharply lower consultancy and restructuring costs versus the same quarter in 2017, partially offset by EUR 12 million net impairment in Germany.

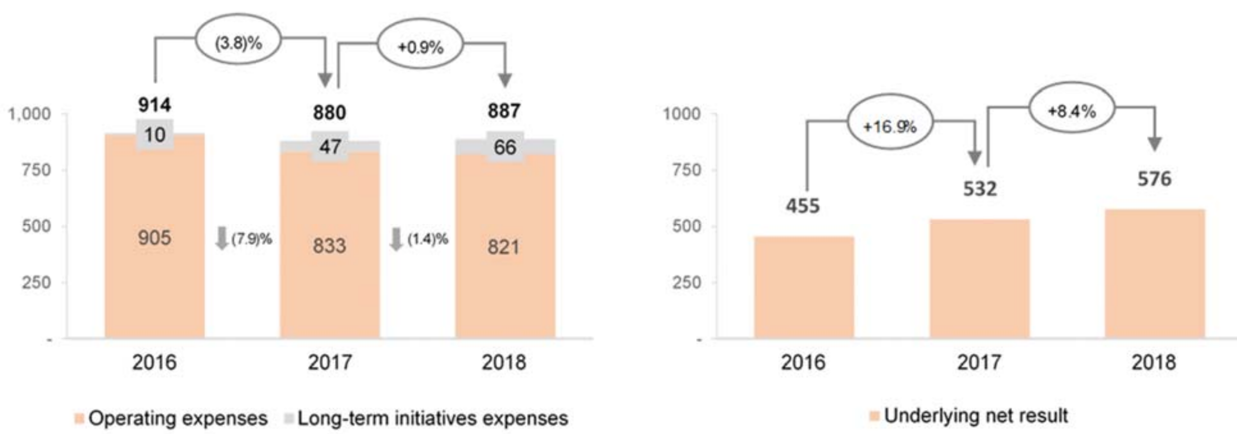
An **impairment** of EUR 12 million net of tax (EUR 18 million pre-tax) was taken on our German fleet. This impairment is a German-specific issue, and relates to a number of loss-making contracts which will terminate in the next two years. Country management has since been strengthened.

Financial performance 2018

Serviced fleet grew 4.4% in 2018 to 1.822 million vehicles with strong growth across most countries in Europe and particularly strong growth from the SME and corporate segments.

Revenues overall were up 1.7% for the full year at EUR 9,518 million. Lease & Additional Services income was up 0.5% (up 1.6% on a constant currency basis) and Vehicles sales & End of contract fees were flat versus 2017.

Underlying gross profit on Lease & Additional Services grew 6.6%, driven by excellent performance in Damage Services & Insurance as well as Lease Services**.** A decline in PLDV was partially offset by uplift from Carnext.com, as we saw a predictable normalisation in PLDV results as described above.



Operating Expenses increased 0.9% for the year, reflecting the effectiveness of LeasePlan's cost control programme while operating expenses related to key long term initiatives including CarNext.com, the Core Leasing System (CLS) and Digital LeasePlan increased. Number of FTE's increased due to hiring for long term initiatives including CarNext.com and Digital LeasePlan.

Underlying Net Result increased 8.4% year-on-year driven by continued market growth, strong performance of Lease Services and Damage Services & Insurance.

Net results for the full year were down 9.2% as growth in the underlying net results was more than offset by the impairments in Turkey and Germany.

For the full-year 2018, **impairments** were taken to recognize losses in Germany related to a number of loss-making contracts (EUR 29 pre-tax, EUR 20 million net of taxes) and in Turkey related to the severe depreciation of the Turkish lira and local used-car prices stemming from the recent period of exceptional economic and political volatility as outlined in our Q3 report (EUR 103 pre-tax, EUR 89 million net of taxes).

Underlying Return on Equity (ROE) over the full year 2018 was up 60 bps to 17.3%.

Business and operational highlights

Car-as-a-Service
LeasePlan's Car-as-a-Service business for new cars showed strong growth throughout the quarter as well as the year, particularly in our SME and corporate segments in Europe. As part of the Power of One LeasePlan programme, steering of both Repair & Maintenance Services towards Independent Service Providers (ISPs) continued to increase, as well as the purchase of new vehicles from our preferred dealer network. Insurance penetration continued to rise, and customer satisfaction programmes were rolled out throughout the organisation. Over the course of 2018,"The Power of One LeasePlan" generated EUR 55 million in benefits, which brings the total Power of One LeasePlan benefits to EUR 185 million since the inception of the program in early 2017. A portion of these Power of One LeasePlan benefits have been passed on to customers as efficiencies.

The company continued to innovate its service offering over 2018, particularly in the area of sustainable mobility solutions as LeasePlan works towards its ambition of achieving net zero emissions from its total fleet by 2030. Key actions included setting up strategic partnerships with SAIC (to bring the first large electric light commercial vehicles to Europe), the Land Life Company (to offer our customers carbon neutral contracts), and Lightyear (to deliver the world's first electric solar car to LeasePlan customers). LeasePlan also concluded an operational lease partnership with Fiat Chrysler Automotive, making LeasePlan the preferred partner to FCA's European dealer network. Unlike traditional white label agreements, the operational lease will be directly managed by LeasePlan. This is the first partnership of its kind for LeasePlan with a major European OEM.

CarNext.com
CarNext.com, LeasePlan's fast-growing digital pan-European used car marketplace, is delivering on its mission to become the most trusted pan-European marketplace for high quality used cars seamlessly delivering any car, anytime, anywhere. CarNext.com continued its strong disruptive growth in both the B2B and B2C segments. B2C volumes grew by 55% to 13,775 vehicles in Q4 and grew to approximately 50,000 cars sold B2C in 2018. Over 2018, the CarNext.com marketplace expanded from 10 to 22 countries in Europe, with both a digital and physical presence. Increasingly, CarNext.com customers have started to buy or lease their cars online and are opting for at home delivery of their cars. In addition, for those customers preferring advice on their purchase or lease, the number of delivery stores has increased from 18 to 32 stores in 2018. The Used Car-as-a-Service proposition grew by 60% to approximately 1,900 newly contracted vehicles in Q4, compared to 1,200 in Q4 2017, and is now available in 20 countries. B2C penetration increased to a run-rate of 21% of vehicles sold in Q4 2018 vs. 15% in Q4 2017. Our used car-as a service contracts have grown by 150% to 8,000 for the full year 2018. For its 125,000 professional buyers the CarNext.com marketplace app for professional buyers was launched and rolled-out to 36 countries allowing seamless bidding on any car, anytime, anywhere.

Funding and Capital position

The diversified nature of LeasePlan's funding sources was again in evidence, with a focus during this quarter on our secured funding franchise. Two separate private transactions in the Netherlands (EUR 400 million) and Germany (EUR 540 million) delivered a total of EUR 940 million of funding. The success of these transactions alone were sufficient to meet all of Q4's funding requirements, allowing LeasePlan the freedom to engage on a highly selective basis around its alternative funding sources with total funding raised for Q4 finally coming in at EUR 1,007 million. LeasePlan Bank finished the year with retail deposits of EUR 6.4 billion.

LeasePlan's liquidity and capital positions remain strong with a liquidity buffer of EUR 4.96 billon consisting of cash balances as well as access to its committed revolving credit facility and a CET 1 capital ratio[3] of 17.6%.

Following the Supervisory and Evaluation Process (SREP) by the Dutch Central Bank (DNB), LeasePlan's minimum requirements for 2019 were set at 10.0% for the CET1 capital ratio and 13.5% for the total SREP Capital Ratio. The total SREP capital ratio excludes the combined buffer requirement (i.e., counter-cyclical buffer and capital conservation buffer).

[3] In determining the CET1 capital ratio, results for the fourth quarter of 2018 are not included.

Contact details

Media
Harmen van der Molen
T: +31 (0)6 50732424
E: media@leaseplancorp.com

Debt Investors
Paul Benson
T: +353 (1)680 4005 M: +353 (0)86 817 5152
E: paul.benson@leaseplan.com

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 1.8 million vehicles under management in over 30 countries. With over 50 years' experience, LeasePlan's mission is to provide what's next in mobility via an 'any car, anytime, anywhere' service – so our customers can focus on what's next. Find out more at www.leaseplan.com/corporate.

Condensed Consolidated financial statements

Consolidated statement of profit or loss

For the year ended 31 December

In thousands of euros	Q4 2018	Q4 2017	2018	2017
Operating Lease Income	1,015,878	965,709	3,973,110	3,846,599
Finance lease & other interest income	34,296	31,600	132,542	124,514
Additional services income	589,130	657,376	2,422,469	2,526,702
Vehicle sales & End of contract fees	686,457	684,841	2,990,322	2,863,105
Revenues	**2,325,762**	**2,339,525**	**9,518,443**	**9,360,920**
Depreciation Cars	823,942	776,240	3,288,215	3,069,892
Finance Cost	80,235	73,768	303,769	306,170
Unrealised (gains)/losses financial instruments	10,107	2,649	11,409	-9,378
Impairment charges on loans and receivables	8,678	5,179	28,705	19,452
Lease Cost	922,962	857,837	3,632,097	3,386,136
Additional Services Cost	379,635	447,155	1,550,420	1,705,256
Vehicle & disposal cost	670,537	666,244	2,881,696	2,706,033
Direct cost of revenues	**1,973,134**	**1,971,236**	**8,064,213**	**7,797,425**
Lease Services	127,213	139,472	473,555	584,977
Additional Services	209,495	210,221	872,049	821,446
Profit/loss on disposal of vehicles & End of Contract Fees	15,920	18,596	108,626	157,072
Gross profit	**352,628**	**368,289**	**1,454,230**	**1,563,495**
Staff expenses	159,893	167,603	571,241	570,615
Other operating expenses	103,674	114,515	318,288	357,023
Other depreciation and amortisation	12,448	21,076	45,104	55,935
Total operating expenses	**276,014**	**303,194**	**934,634**	**983,572**
Other income	-	-	128	5,057
Share of profit of investments accounted for using the equity method	696	578	3,284	2,301
Profit before tax	**77,310**	**65,673**	**523,008**	**587,281**
Income tax expenses	6,518	2,984	99,381	120,675
Net result attributable to owners of the parent	**70,792**	**62,688**	**423,627**	**466,606**

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	2018	2017
Net result	**423,627**	**466,606**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment benefit reserve, before tax	2,301	2,557
Income tax on post-employment benefit reserve	-654	-998
Subtotal changes post employment benefit reserve, net of income tax	**1,647**	**1,559**
Items that may be subsequently reclassified to profit or loss		
Changes in cash flow hedges, before tax	-4,778	4,296
Cash flow hedges recycled from equity to profit and loss, before tax	-	15
Income tax on cashflow hedges	1,195	-1,078
Subtotal changes in cash flow hedges, net of income tax	**-3,584**	**3,233**
Exchange rate differences	-14,676	-46,214
Other comprehensive income, net of income tax	**-16,614**	**-41,422**
Total comprehensive income for the year	**407,014**	**425,184**
Comprehensive income attributable to:		
Owners of the parent	**407,014**	**425,184**

Consolidated statement of financial position

As at 31 December

In thousands of euros	**2018**	**2017**
Assets		
Cash and balances at central banks	3,167,831	2,349,162
Investments in debt securities	24,709	-
Receivables from financial institutions	518,318	547,296
Derivative financial instruments	98,517	103,458
Other receivables and prepayments	1,150,155	1,178,859
Inventories	467,071	384,775
Lease receivables from clients	3,279,487	3,260,694
Property and equipment under operating lease and rental fleet	17,818,976	16,708,694
Other property and equipment	102,882	93,982
Loans to Investments accounted for using the equity method	151,300	140,500
Investments accounted for using the equity method	15,874	12,983
Intangible assets	256,128	185,679
Corporate income tax receivable	48,096	33,320
Deferred tax asset	141,135	122,453
Assets classified as held-for-sale	39,259	20,107
Total assets	**27,279,736**	**25,141,962**
Liabilities		
Trade and other payables and deferred income	2,290,482	2,408,074
Borrowings from financial institutions	3,788,873	3,323,132
Derivative financial instruments	112,656	80,369
Funds entrusted	6,490,204	6,002,501
Debt securities issued	10,449,447	9,337,826
Provisions	495,672	454,057
Corporate income tax payable	24,462	37,994
Deferred tax liabilities	292,347	274,023
Total liabilities	**23,944,143**	**21,917,976**
Equity		
Share capital	71,586	71,586
Share premium	506,398	506,398
Other reserves	-67,760	-51,147
Retained earnings	2,825,370	2,697,149
Total equity	**3,335,594**	**3,223,986**
Total equity and liabilities	**27,279,736**	**25,141,962**

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
Balance as at 1 January 2017	**71,586**	**506,398**	**-9,725**	**2,507,443**	**3,075,702**
Net result	-	-	-	466,606	466,606
Other comprehensive income	-	-	-41,422		-41,422
Total comprehensive income	**-**	**-**	**-41,422**	**466,606**	**425,184**
Final dividend relating to 2016	-	-	-	-112,000	-112,000
Interim dividend relating to 2017	-	-	-	-164,900	-164,900
Total transactions with owners of the parent	**-**	**-**	**-**	**-276,900**	**-276,900**
Balance as at 31 December 2017	**71,586**	**506,398**	**-51,147**	**2,697,149**	**3,223,986**
Adoption IFRS 9	-	-	-	-3,906	-3,906
Balance as at 1 January 2018	**71,586**	**506,398**	**-51,147**	**2,693,243**	**3,220,080**
Net result	-	-	-	423,627	423,627
Other comprehensive income	-	-	-16,614	-	-16,614
Total comprehensive income	**-**	**-**	**-16,614**	**423,627**	**407,014**
Final dividend relating to 2017	-	-	-	-120,100	-120,100
Interim dividend relating to 2018	-	-	-	-171,400	-171,400
Total transactions with owners of the parent	**-**	**-**	**-**	**-291,500**	**-291,500**
Balance as at 31 December 2018	**71,586**	**506,398**	**-67,761**	**2,825,370**	**3,335,594**

Consolidated statement of cash flows

for the year ended 31 December

In thousands of euros	**2018**	**2017**
Operating activities		
Net result	423,627	466,606
Adjustments		
Interest Income and expense	171,227	181,656
Impairment charges on receivables	28,705	19,452
Depreciation operation lease portfolio and rental fleet	3,362,673	3,167,014
Depreciation other property plant and equipment	26,570	26,607
Amortisation and impairment on intangibles	18,534	29,501
Share of profit of investments accounted for using the equity method	-3,284	-2,301
Gain on Sale of Subsidiaries / Associates	-128	-5,057
Financial instruments at fair value through profit and loss	11,409	-9,378
Income tax expense	99,381	120,675
Changes in		
Increase/(Decrease) provisions	48,599	-44,921
Derivative financial instruments	36,716	116,186
Increase/(Decrease) trade and other payables and other receivables	-124,057	-46,564
Increase/(Decrease) inventories	251,784	150,856
Amounts received for disposal of objects under operating lease	2,285,950	2,173,709
Amounts paid for acquisition of objects under operating lease	-7,187,078	-6,621,364
Acquired new finance leases	-1,470,827	-1,186,794
Repayment finance leases	1,503,728	1,205,203
Income taxes received	6,798	35,828
Income taxes paid	-134,774	-121,525
Interest received	132,388	124,616
Interest paid	-308,016	-323,939
Net cash inflow/(outflow) from operating activities	-820,075	-543,935

See continuation of this table on the next page.

Consolidated statement of cash flows - continued

for the year ended 31 December

In thousands of euros	2018	2017
Investing activities		
Investments in debt securities	-24,709	-
Acquisition of other property plant and equipment	-36,327	-30,113
Acquisition of intangible assets	-89,039	-42,590
Loans provided to inv. accounted for using the equity method	-71,800	-71,475
Redemption on loans to inv. accounted for using the equity method	61,000	56,250
Dividend received from ass. and jointly controlled entities	1,031	1,420
Increase/(Decrease) in held-for-sale investments	-16,858	-8,499
Proceeds from disposal of subsidiaries	280	17,500
Net cash inflow/(outflow) from investing activities	**-176,422**	**-77,507**
Financing activities		
Receipt from receivables from financial institutions	429,427	385,181
Balances deposited to financial institutions	-381,250	-384,418
Receipt of borrowings from financial institutions	5,061,224	3,756,794
Repayment of borrowings from financial institutions	-4,532,691	-3,672,830
Receips of funds entrusted	2,358,245	2,317,779
Repayment of funds entrusted	-1,870,579	-1,795,935
Receipt of debt securities	3,302,332	3,602,148
Repayment of debt securities	-2,208,649	-2,774,552
Dividends paid to Company's shareholders	-291,500	-276,900
Net cash inflow/outflow from financing activities	**1,866,560**	**1,157,267**
Cash and balances with banks as at January 1	**2,481,998**	**1,945,608**
Net movement in cash and balances with banks	870,063	535,825
Exchange gains/(losses) on cash and balances at banks	-492	565
Cash and balances with banks as at December 31	**3,351,570**	**2,481,998**

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 Report 2017, unless otherwise stated.
These condensed consolidated financial statements do not include Company financial statements. Annual Company financial statements will be included in the Group's Annual report for the year ended 31 December 2018. The Group's Financial Statements for 2018 are in progress and may be subject to adjustments resulting from subsequent events.

Use of judgements and estimates
The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2017.

New and amended standards adopted by the Group effective as from 1 January 2018
The following new or revised standards, amendments and interpretations to published standards became effective as per 1 January 2018 (and are endorsed by the EU). The impact of those standards and new accounting policies implemented by the Group are disclosed below.

IFRS 9 – Financial Instruments

The Group has implemented IFRS 9 Financial Instruments (which replaces IAS 39) as from 1 January 2018 without restatement of comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition have been recognised against the opening balance of retained earnings as at 1 January 2018.
The Group elected to continue to apply the hedge accounting requirements of IAS 39 in their entirety until the standard resulting from the IASB's separate project on macro hedge accounting becomes effective. The Group has implemented the revised hedge accounting disclosures that are required by IFRS 7 "Financial Instruments: Disclosures".
The adoption of IFRS 9 resulted in the following key changes to the Group's accounting policies:

Classification and Measurement

The classification and measurement of debt financial assets depends on how these are managed (the business model test) and their contractual cash flow characteristics (the solely payment of principal and interest test). The outcome of this test will drive how financial assets are subsequently measured: at amortized cost, fair value through other comprehensive income (OCI) or fair value through profit or loss. The classification and measurement requirements for financial liabilities remained substantially unchanged from the previous standard, IAS 39.

Impairment

The IFRS 9 expected credit loss (ECL) model has replaced the current 'incurred loss' model of IAS 39.
The ECL model requires the recognition of ECLs upon initial recognition of a debt financial asset. It contains a 3-stage approach which is based on the change in credit quality of financial assets. Depending on the stage, the ECL allowance is measured either as 12-months (stage 1) or lifetime expected credit losses (stage 2 and 3).
Reference is made to 'Note C – Financial Assets and Liabilities' for additional disclosures on the specific application of IFRS 9 in relevant asset categories.

Transition

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- If a receivable from a financial institution had low credit risk at the date of initial application of IFRS 9, then the Group assumed that credit risk on the asset had not increased significantly since its initial recognition.

The Group has concluded that the IFRS 9 transition amount will reduce shareholders' equity by EUR 3.9 million after- tax as at 1 January 2018. The impact relates solely to the implementation of the new expected loss impairment requirements by the Group. The impact on CET 1 ratio is limited, with no phase-in applied. The following table analyses the impact, net of tax, of transition to IFRS 9 on retained earnings. There is no impact on other components of equity.

	Impact of adopting IFRS 9 on 1 January 2018
Retained Earnings	
Closing balance under IAS 39 (31 December 2017)	**2,697,149**
Net impact of expected credit losses under IFRS 9 (including lease receivables, loan commitments and financial guarantee contracts)	(3,906))
Opening balance under IFRS 9 (1 January 2018)	**2,693,243**

IFRS 15: Revenue from contracts with customers

The Group has implemented IFRS 15 Revenues from contracts with customers as from the effective date of 1 January 2018. IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer and prescribes more informative and relevant disclosures. IFRS 15 provides significantly more guidance particularly with respect to the identification of performance obligations, determination of the transaction price, and allocation of value within multiple element arrangements.

- As a full-service provider, the Group's arrangements with customers impacted by IFRS 15 are those generating additional service income for fleet management services, repair & maintenance services, rental activities and damage & insurance services as disclosed in note G Revenue and direct cost of revenues.

The Group's policies for the identification of performance obligations, determination of the transaction price and the resulting allocation of value were already largely aligned with the requirements of IFRS 15. Furthermore, a significant portion of the Group's revenue is recognised under IAS 17 (lease elements) and the revenue recognition under the predecessor standard IAS 18 does not carry a significant impact in comparison to IFRS 15.

The Group has elected not to restate comparative results as permitted by the transitional provisions of IFRS 15 and has concluded that there is no significant impact on shareholder's equity or comprehensive income or the group's financial statements as a whole upon the implementation of IFRS 15.

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.

	Q4 2018	Q4 2017	2018	2017
Operating Lease Income	1,015,878	965,709	3,973,110	3,846,599
Finance lease & other interest income	34,296	31,600	132,542	124,514
Additional Service Income	589,130	657,376	2,422,469	2,526,702
Vehicle sales & End of contract fees	686,457	684,841	2,990,322	2,863,105
Revenues	**2,325,762**	**2,339,525**	**9,518,443**	**9,360,920**

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.

	Q4 2018	Q4 2017	2018	2017
Depreciation cars	805,942	770,035	3,156,215	3,063,687
Impairment on assets *	18,000	6,205	132,000	6,205
Finance cost	80,235	73,768	303,769	306,170
Unrealised gains on financial instruments	10,107	2,649	11,409	-9,378
Impairment charges on loans and receivables	8,678	5,179	28,705	19,452
Lease cost	922,962	857,837	3,632,097	3,386,136
Additional Services cost	379,635	447,155	1,550,420	1,705,256
Vehicle & disposal cost	670,537	666,244	2,881,696	2,706,033
Direct cost of revenues	**1,973,134**	**1,971,236**	**8,064,213**	**7,797,425**

Gross profit (net lease income and vehicles sales income)

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

	Q4 2018	Q4 2017	2018	2017
Lease Services	155,319	148,326	616,964	581,804
Impairment on assets *	-18,000	-6,205	-132,000	-6,205
Unrealised gains on financial instruments	-10,107	-2,649	-11,409	9,378
Lease	127,213	139,472	473,555	584,977
Fleet Management & Other Services	62,974	67,349	280,222	276,649
Repair & Maintenance Services	81,292	85,363	322,443	306,965
Damage & Insurance	65,229	57,509	269,385	237,832
Additional Services	209,495	210,221	872,049	821,446
End of Contract fees	29,424	27,819	123,535	115,907
Profit/loss on disposal of vehicles	-13,504	-9,223	-14,909	41,165
Profit/loss on disposal of vehicles & End of contract fees	15,920	18,596	108,626	157,072
Gross profit	**352,628**	**368,289**	**1,454,230**	**1,563,495**

(*) 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:

	Q4 2018	Q4 2017	2,018	2,017
Operating Lease - interest income	170,128	160,965	663,837	648,938
Finance Lease & other interest income	34,296	31,600	132,542	124,514
Finance cost	-80,235	-73,768	-303,769	-306,170
Net interest income	**124,189**	**118,796**	**492,610**	**467,282**
Unrealised gains/(losses) on financial instruments	-10,107	-2,649	-11,409	9,378
Impairment charges on loans and receivables	-8,678	-5,179	-28,705	-19,452
Net finance income	**105,404**	**110,968**	**452,496**	**457,208**

2 Other Income

Other income includes the result on the sale of its subsidiary Mobility Mixx B.V.
In the financial year 2017 other income includes the result from the sale of the 24% interest in Terberg Leasing B.V (Terberg). Terberg was sold for EUR 17.5 million from which the gain on the sale was EUR 5.1 million.

3 Non-GAAP measures

In the Director's Report we use certain Alternative Performance Measures to present and discuss our underlying performance and value creation, in addition to the IFRS financial statements. For this purpose net result has been adjusted to arrive at underlying net result for impacts related to unrealized results on financial instruments, one-time items related to the acquisition or sale of subsidiaries, large restructuring and consultancy programmes (e.g. those related to the Power of One LeasePlan), transaction costs (e.g. the costs incurred in preparation for a potential IPO) and other items which are large and can vary significantly and for which such variability may not relate to LeasePlan's ongoing net result or trends. For this reason impairment charges for Turkey and Germany have been taken out retrospectively as from Q4 2018.

The reconciliation from IFRS measures to non GAAP measures for 2018 and 2017 is included in the tables below:

	IFRS results December 2018	**Underlying adjustments**			**Underlying results December 2018**
		Power of One LeasePlan	Unrealized 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 result Q4 2018	**Underlying adjustments**			**Underlying results 2018 Q4**
		Power of One LeasePlan	Unrealized 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**
Other income	-				-
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**	**9,498**	**12,294**	**107,481**

	IFRS results December 2017	Underlying adjustments			Underlying results December 2017
		Power of One LeasePlan	Unrealized results on financial instruments	Sale of Terberg	
Revenues	**9,360,920**				**9,360,920**
Direct cost of revenues	**7,797,425**		**9,378**		**7,806,803**
Gross profit	**1,563,495**		**-9,378**		**1,554,117**
Total operating expenses	**983,572**	**-103,707**			**879,865**
Other income	5,057			-5,057	-
Share of profit of investments accounted for using the equity method	2,301				2,301
Profit before tax	**587,281**	**103,707**	**-9,378**	**-5,057**	**676,553**
Income tax expenses	120,675	27,254	-1,628	-1,264	145,037
Net result attributable to owners of the parent	**466,606**	**76,453**	**-7,750**	**-3,793**	**531,516**

	IFRS results Q4 2017	Underlying adjustments		Underlying results 2017 Q4
		Power of One LeasePlan	Unrealized results on financial instruments	
Revenues	**2,339,525**			**2,339,525**
Direct cost of revenues	**1,971,236**		**-2,649**	**1,968,587**
Gross profit	**368,289**		**2,649**	**370,938**
Total operating expenses	**303,194**	**-49,914**		**253,280**
Share of profit of investments accounted for using the equity method	578			578
Profit before tax	**65,673**	**49,914**	**2,649**	**118,235**
Income tax expenses	2,984	12,610	1,628	17,221
Net result attributable to owners of the parent	**62,688**	**37,304**	**1,021**	**101,015**