LeasePlan announces Q3 2018 results

AMSTERDAM, the Netherlands, 13 November 2018 – LeasePlan Corporation N.V. (LeasePlan; the "Company"), one of the world's leading Car-as-a-Service ("CaaS") companies, today reports its Q3 results.

Q3 2018 financial highlights[1]

- Net result down 48% to EUR 67 million due to Turkey fleet impairment of EUR 73 million[2]
- Underlying net result up 6.0% to EUR 147 million excluding Turkey impairment
- Serviced fleet growth up 6.8% to 1.8 million vehicles
- Lease & Additional Services ("Car-as-a-Service") Gross Profit up 8.8% (excluding impairment)
- CarNext.com B2C car volumes up 75% with 25% run-rate B2C sales penetration and 160% growth in Used Car-as-a-Service (UCaaS) to 2,100 cars
- Continued results improvement from "The Power of One LeasePlan" programme
- Underlying return on equity over the first 9 months of 17.2% excluding Turkey impairment[3]

Key numbers

	Q3 2018	Q3 2017	9M 2018	9M 2017
Profitability				
Underlying net result (EUR million)	74[2]	139	372[3]	431
% Y-o-Y growth	(47.0%)		(13.6%)	
Net result (EUR million)	67	129	353	404
% Y-o-Y growth	(48.0%)		(12.6%)	
Underlying return on equity			14.3%[4]	16.6%
Volume (thousands)	Q3 2018	Q3 2017	9M 2018	9M 2017
Serviced Fleet			1,822	1,706
% Y-o-Y growth			6.8%	
# vehicles sold	64	62	195	196
% Y-o-Y growth	4.6%		(0.9%)	

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

Tex Gunning, CEO of LeasePlan:

"LeasePlan has delivered another quarter of strong growth across both of our businesses as we continue to lead the megatrend from ownership to subscription in the Car-as-a-Service markets for both new and used cars.

In our Car-as-a-Service business for new cars, which operates under the LeasePlan brand, our serviced fleet was up 6.8% to 1.8 million vehicles. During the quarter, we also signed an exclusive memorandum of understanding with SAIC – China's largest vehicle manufacturer - to bring the first full electric light commercial vehicle in its category to continental Europe, accelerating the shift to zero emission mobility among commercial drivers. This partnership shows how a major global OEM entering Europe has chosen our Car-as-a-Service model rather than traditional retail dealer models to deliver their cars and puts LeasePlan at the core of this evolution.

CarNext.com, our disruptive, digital, used-car marketplace, has continued to grow rapidly and is now present in 18 countries through an integrated online platform and 28 Delivery Stores. B2C volumes increased 75% in the quarter, while our innovative Used-Car-as-a-Service proposition grew 160% to 2,100 newly contracted cars in Q3.
Our overall results were impacted by the exceptional depreciation of the lira in Turkey, the only country where LeasePlan has meaningful transactional currency exposure. We have taken clear actions in Turkey to mitigate exposure to currency volatility for new business."

[1] % refer to year-on-year growth unless otherwise stated
[2] Post-tax 73 million (comprising impairment of EUR 84 million pre-tax in Q3 and tax effect of EUR 11 million in Q3)
[3] Post-tax 96 million (comprising impairments of EUR 30 million in Q1, EUR 84 million in Q3 and tax effects of EUR 7 million in Q1 and EUR 11 million in Q3)
[4] Underlying return on equity 17.2% excluding Turkey impairment

Group performance

In millions of euros, unless otherwise stated	Q3 2018	Q3 2017	9M 2018	9M 2017
Lease & Additional Services income	1,640	1,625	4,889	4,843
Vehicles sales & End-of-contract fees	751	698	2,304	2,178
Revenues	**2,391**	**2,323**	**7,193**	**7,021**
% Y-o-Y growth	**2.9%**		**2.4%**	
Underlying direct cost of revenues	**2,073**	**1,939**	**6,090**	**5,838**
Lease Services (ex-impairments)	155	146	462	433
Impairment	(84)	–	(114)	–
Fleet Management & other Services	73	66	217	209
Repair & Maintenance Services	76	67	241	222
Damage and Insurance Services	67	60	204	180
Lease & Additional Services	**287**	**341**	**1,010**	**1,045**
Lease & Additional Services (excl impairment)	**371**	**341**	**1,124**	**1,045**
% Y-o-Y growth	**8.8%**		**7.6%**	
End of Contract fees	35	28	94	88
Profit/loss on disposal of vehicles	(4)	14	(1)	50
Profit/loss on disposal of vehicles & End of Contract fees	31	43	93	138
Underlying gross profit	**318**	**384**	**1,103**	**1,183**
As a % of Revenues	13.3%	16.5%	15.3%	16.9%
% Y-o-Y growth	**(17.1%)**		**(6.8%)**	
Underlying total operating expenses	**217**	**207**	**634**	**627**
As a % of Revenues	9.1%	8.9%	8.8%	8.9%
Share of profit of investments accounted for using the equity method	1	(0)	3	2
Underlying profit before tax	**103**	**176**	**471**	**558**
As a % of Revenues	4.3%	7.6%	6.6%	8.0%
Underlying tax	29	37	99	128
Underlying net result	**74**	**139**	**372**	**431**
As a % of Revenues	3.1%	6.0%	5.2%	6.1%
% Y-o-Y growth	(47.0%)		(13.6%)	
Underlying adjustments	(6)	(10)	(19)	(27)
Reported net result	**67**	**129**	**353**	**404**
As a % of Revenues	2.8%	5.6%	4.9%	5.8%
% Y-o-Y growth	**(48.0%)**		**(12.6%)**	

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

Financial performance

Serviced fleet grew 6.8% in Q3 to 1.82 million vehicles.

Growth in **revenues** was up 2.9% in Q3 to EUR 2,391 million. Lease & Additional Services income in Q3 grew 0.9% to EUR 1,640 million or 1.6% on a constant currency basis due to growth in the fleet and increased uptake of services. Vehicle Sales and End-of-Contract Fees were up 7.6% to EUR 751 million.

Underlying gross profit was up 14.7% to EUR 402 million in Q3, excluding the EUR 84 million pre-tax impairment of the Turkish fleet. Lease & Additional Services was up 8.8% to EUR 371 million on the same basis, driven by growth across all services and supported by 'The Power of One LeasePlan' operational excellence programme. Profit-and-Loss on Disposal of Vehicles & End of Contract Fees decreased by EUR 12 million in Q3 and continued to be impacted by the predictable normalisation of the Profit/Loss on Disposal of Vehicles (as communicated in previous quarters).

Underlying operating expenses were up 4.4% in Q3 to EUR 217 million and included operating expenses to support the longterm growth initiatives Digital LeasePlan and CarNext.com.

The **underlying tax rate** in Q3 was 28.2%, impacted by the Turkey impairment tax effect and partly offset by lower headline tax rates in some countries.

Underlying net result increased EUR 8 million or 6.0% to EUR 147 million excluding the Turkey impacts, reflecting LeasePlan's Car-as-a-Service strong performance and the ongoing benefits of 'The Power of One LeasePlan' operational excellence Programme. Underlying net result decreased 47% in Q3 to EUR 74 million, as a result of the EUR 73 million of Turkey fleet impairment impact.

Underlying Return on Equity (ROE) over the first 9 months before the Turkey impairment was up 59 bps to 17.2% (14.3% including Turkey impairment).

Impairment Turkish Fleet

Turkey is the only country in which LeasePlan has meaningful transactional foreign exchange exposure, specifically on the resale value of its vehicles. Until recently, local market convention has been to price lease contracts in euro, whereas vehicles at contract-end are sold in lira. The exceptional period of economic and political volatility in Turkey in the summer of 2018 and the resulting overall depreciation of the lira has led to decreasing prices of used cars in euro terms. The EUR 84 million pre-tax impairment represents the lower residual value in euro expected for current euro denominated contracts on LeasePlan's fleet in Turkey. In addition, LeasePlan has implemented ongoing mitigating actions, such as lease extensions, used Car-as-a-Service offerings, and pricing new business in Turkish lira to mitigate further transactional currency exposure.

Business and operational highlights

Car-as-a-Service

LeasePlan's Car-as-a-Service business for new cars showed strong growth, particularly in our Corporate and SME segments in Europe. In addition, in September 2018, LeasePlan announced the signing of a Memorandum of Understanding for a partnership with SAIC Mobility Europe. Under the exclusive partnership, LeasePlan will provide operational leasing solutions for SAIC's Maxus zero emission electric LCVs in continental Europe, accelerating the shift to zero emission mobility among commercial drivers. The agreement centres on the Maxus EV80, as well as new line extensions. The Maxus EV80 is the first full electric LCV in its category that can be delivered at scale and has a competitive total cost of ownership compared to internal combustion engine LCVs. The partnership underlines LeasePlan's commitment to playing a key role in the transition to sustainable mobility across all of its customer segments.

CarNext.com

CarNext.com, LeasePlan's fast-growing digital pan-European used car marketplace, continued its strong disruptive growth in both the B2B and B2C segments, with total car sales up 4.1% to 64,700. B2C volumes grew by 75% in Q3, to 13,250 vehicles compared to 70% in the previous quarter. Our integrated pan-European B2C marketplace was operational in 18 countries at the end of Q3 (up from 15 countries in the second quarter), supported by a network of 28 Delivery Stores (up from 24 in the previous quarter). Our innovative Used Car-as-a-Service grew by 160% to 2,100 newly contracted vehicles in Q3, compared to 800 in Q3 2017, and is now available in 14 countries. B2C penetration increased to a run-rate of 25% of total cars coming off lease and sold by LeasePlan in September from 17% in Q2. In B2B, LeasePlan successfully launched the CarNext.com marketplace app for professional buyers across 28 countries, allowing seamless bidding on any car, anytime, anywhere.

Funding and capital position

LeasePlan has continued to benefit from its diversified funding platform, raising a total of EUR 726 million across retail deposits, senior unsecured and secured debt. A total of EUR 459 million was raised across six separate currencies through numerous privately placed senior unsecured debt transactions. In secured funding, LeasePlan successfully negotiated an increase to its existing warehouse facility in Australia. EUR 103 million in total was raised in new local loan facilities to fund LeasePlan's operations worldwide. In addition, LeasePlan Bank saw an increase in retail deposits of EUR 139 million, bringing its total amount on deposit to approximately EUR 6.5 billion.

LeasePlan's liquidity and capital positions remain strong, with a liquidity buffer of EUR 4.6 billion consisting of cash balances, as well as access to its committed revolving credit facility and a CET 1 capital ratio of 17.9%, well above regulatory requirements.

LeasePlan Corporation N.V. has declared an interim dividend in the amount of EUR 171.4 million, or 60.0% of its reported net income over the first half year of 2018.

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 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 interim financial statements

Condensed consolidated statement of profit or loss

for the period ended 30 September

In thousands of euros	Note	Q3 2018	Q3 2017[1]	9M 2018	9M 2017[1]
Operating Lease income		999,039	962,709	2,957,231	2,880,890
Finance Lease & other interest income		33,580	28,588	98,246	92,914
Additional Services income		607,384	633,427	1,833,338	1,869,327
Vehicle sales & End of Contract fees		750,710	697,963	2,303,865	2,178,264
Revenues	2	**2,390,712**	**2,322,688**	**7,192,681**	**7,021,395**
Depreciation cars		877,996	766,726	2,464,273	2,293,652
Finance cost		75,654	73,871	223,534	232,402
Unrealised (gains)/losses on financial instruments		1,687	95	1,302	(12,027)
Impairment charges on loans and receivables		7,748	4,319	20,026	14,273
Lease cost		963,085	845,011	2,709,136	2,528,299
Additional Services cost		391,569	439,064	1,170,784	1,258,101
Vehicle & disposal cost		719,640	655,183	2,211,159	2,039,789
Direct cost of revenues	2	**2,074,294**	**1,939,259**	**6,091,079**	**5,826,189**
Lease Services		69,534	146,286	346,342	445,505
Additional Services		215,814	194,363	662,554	611,226
Profit/loss on disposal of vehicles & End of Contract fees		31,070	42,780	92,706	138,475
Gross profit	2	**316,419**	**383,429**	**1,101,602**	**1,195,206**
Staff expenses		137,647	126,738	411,348	403,013
Other operating expenses		74,610	88,243	214,614	242,507
Other depreciation and amortisation		11,111	11,621	32,657	34,859
Total operating expenses		**223,368**	**226,602**	**658,619**	**680,379**
Other income	3	128	5,100	128	5,100
Share of profit of investments accounted for using the equity method		863	(191)	2,588	1,681
Profit before tax		**94,042**	**161,736**	**445,699**	**521,608**
Income tax expenses	1	26,836	32,601	92,864	117,691
Net result attributable to owners of the parent		**67,205**	**129,136**	**352,835**	**403,918**

[1] Prior year comparatives have been restated due to changes in the presentation of the statement of profit or loss.

Condensed consolidated statement of comprehensive income

for the period ended 30 September

In thousands of euros	Note	Q3 2018	Q3 2017	9M 2018	9M 2017
Net result		**67,205**	**129,136**	**352,835**	**403,918**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of post-employment benefit reserve, before tax		–	15	–	11
Income tax on post-employment benefit reserve		–	(4)	–	(2)
Subtotal changes post-employment benefit reserve, net of income tax		**–**	**11**	**–**	**9**
Items that may be subsequently reclassified to profit or loss					
Changes in cash flow hedges, before tax		1,070	369	(2,297)	8,220
Cash flow hedges recycled from equity to profit and loss, before tax		–	(1,149)	–	(5,078)
Income tax on cash flow hedges		(269)	196	574	(785)
Subtotal changes in cash flow hedges, net of income tax		**802**	**(584)**	**(1,723)**	**2,357**
Exchange rate differences	4	794	(10,498)	(7,997)	(34,271)
Other comprehensive income, net of income tax		**1,596**	**(11,071)**	**(9,720)**	**(31,905)**
Total comprehensive income for the year		**68,801**	**118,065**	**343,115**	**372,013**
Comprehensive income attributable to:					
Owners of the parent		68,801	118,065	343,115	372,013

Condensed consolidated statement of financial position

In thousands of euros	Note	30 September 2018	31 December 2017
Assets			
Cash and balances at central banks	5	2,821,122	2,349,162
Receivables from financial institutions	6	504,371	547,296
Derivative financial instruments	7	76,100	103,458
Other receivables and prepayments	8	1,206,328	1,178,859
Inventories	10	349,916	384,775
Corporate income tax receivable		32,963	33,320
Loans to investments accounted for using the equity method		147,300	140,500
Lease receivables from clients	9	3,371,230	3,260,694
Property and equipment under operating lease and rental fleet	10	17,592,259	16,708,694
Other property and equipment		94,013	93,982
Investments accounted for using the equity method		15,019	12,983
Intangible assets	11	252,729	185,679
Deferred tax assets		144,501	122,453
		26,607,852	25,121,855
Assets classified as held-for-sale	12	37,970	20,107
Total assets		26,645,822	25,141,962

See continuation of this table on the next page.

Condensed consolidated statement of financial position – *continued*

In thousands of euros	Note	30 September 2018	31 December 2017
Liabilities			
Funds entrusted	13	6,592,932	6,002,501
Derivative financial instruments	7	97,986	80,369
Trade and other payables and deferred income	14	2,213,066	2,408,074
Corporate income tax payable		65,621	37,994
Borrowings from financial institutions	15	3,337,359	3,323,132
Debt securities issued	16	10,135,041	9,337,826
Provisions	17	473,492	454,057
Deferred tax liabilities		288,454	274,023
Total liabilities		**23,203,951**	**21,917,976**
Equity			
Share capital		71,586	71,586
Share premium		506,398	506,398
Other reserves	4	(60,867)	(51,147)
Retained earnings		2,924,754	2,697,149
Total equity		**3,441,871**	**3,223,986**
Total equity and liabilities		**26,645,822**	**25,141,962**

Condensed consolidated statement of changes in equity

	Attributable to the owners of the parent				
In thousands of euros	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2017	71,586	506,398	(9,725)	2,507,443	3,075,702
Net result	–	–	–	403,918	403,918
Other comprehensive income	–	–	(31,905)		(31,905)
Total comprehensive income	–	–	(31,905)	403,918	372,013
Dividend relating to 2016	–	–	–	(112,000)	(112,000)
Dividend relating to 2017	–	–	–	(164,900)	(164,900)
Total transactions with owners of the parent	–	–	–	(276,900)	(276,900)
Balance as at 30 September 2017	71,586	506,398	(41,630)	2,634,461	3,170,815
Balance as at 31 December 2017	71,586	506,398	(51,147)	2,697,149	3,223,986
Adoption IFRS 9	–	–	–	(5,131)	(5,131)
Balance as at 1 January 2018	71,586	506,398	(51,147)	2,692,018	3,218,855
Net result	–	–	–	352,835	352,835
Other comprehensive income	–	–	(9,720)	–	(9,720)
Total comprehensive income	–	–	(9,720)	352,835	343,115
Final dividend 2017	–	–	–	(120,099)	(120,099)
Total transactions with owners of the parent	–	–	–	(120,099)	(120,099)
Balance as at 30 September 2018	71,586	506,398	(60,867)	2,924,754	3,441,871

Condensed consolidated statement of cash flows

for the nine months ended 30 September

In thousands of euros	Note	2018	2017 (1)
Operating activities			
Net result		352,835	403,918
Adjustments:			
Interest income and expense		(368,421)	(351,067)
Impairment on receivables		20,026	14,273
Depreciation of operating lease and rental fleet	10	2,524,084	2,366,796
Depreciation other property and equipment		19,095	19,175
Gain on Sale of Subsidiaries / Associates	3	(128)	(5,100)
Amortisation and impairment intangible assets		13,562	16,090
Share of profit of investments accounted for using the equity method		(2,588)	(1,681)
Financial instruments at fair value through profit and loss		1,302	(12,028)
Income tax expense		92,864	117,691
Changes in:			
Provisions		27,014	(11,981)
Derivative financial instruments		38,914	130,246
Trade and other payables and other receivables		(284,456)	(186,534)
Inventories		258,461	200,378
Amounts received for disposal of vehicles under operating lease	10	1,668,851	1,611,836
Amounts paid for acquisition of vehicles under operating lease	10	(5,359,165)	(4,812,823)
Acquired new finance leases		(1,058,871)	(604,973)
Repayment finance leases		1,015,107	805,947
Interest paid		(235,201)	(252,449)
Interest received		591,955	580,838
Net income taxes paid		(73,324)	(38,017)
Cash generated (used) from Operating Activities		**(758,085)**	**(9,465)**

(1) Prior year comparatives have been restated due to changes in the presentation of statement of profit or loss.

See continuation of this table on the next page.

Condensed consolidated statement of cash flows - *continued*

for the nine months ended 30 September

In thousands of euros	Note	2018	2017 (1)
Investing activities			
Purchases of other property and equipment (net)		(19,197)	(18,525)
Purchases of intangible assets (net)		(80,651)	(16,063)
Loans provided to investments accounted for using the equity method		(49,800)	(51,750)
Redemption on loans to investments accounted for using the equity method		43,000	42,025
Dividend received from investments accounted for using the equity method		1,031	2,625
Changes in held-for-sale investments		(16,628)	(13,987)
Proceeds from sale of subsidiaries	3	280	17,500
Cash used in investing activities		**(121,965)**	**(38,175)**
Financing activities			
Receipt of receivables from financial institutions		290,612	359,965
Balances deposited to financial institutions		(252,860)	(359,834)
Receipt of borrowings from financial institutions		2,784,102	2,640,121
Repayment of borrowings from financial institutions		(2,752,759)	(2,457,385)
Receipt of funds entrusted		1,784,410	1,709,647
Repayment of funds entrusted		(1,194,012)	(1,189,587)
Receipt of debt securities		2,749,306	2,919,979
Repayment of debt securities		(1,964,686)	(2,750,454)
Dividends paid to Company's shareholders		(120,099)	(112,000)
Cash generated from financing activities		**1,324,014**	**760,452**
Net movement in cash and balances with banks		**443,964**	**712,812**
Cash and balances with banks as at 1 January		**2,481,998**	**1,945,608**
Net movement in cash and balances with banks		443,964	712,812
Exchange gains/losses on cash and balances with banks		(1,396)	2,015
Cash and balances with banks as at 30 September	5	**2,924,566**	**2,660,435**

(1) Prior year comparatives have been restated due to changes in the presentation of statement of profit or loss. 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 September 2018 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 a growing international network of companies engaged in fleet management and mobility services, mainly through operating leasing. At 30 September 2018, the Group employed 7,056 people worldwide and had offices in over 30 countries. There were no major changes in the Groups' composition during the reporting period.

The Company holds a banking license 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 investors. None of these investors have a (in)direct 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 totaling over EUR 5.0 billion on behalf of a range of sophisticated investors.

Basis of preparation

The condensed consolidated interim financial statements for the period ended 30 September 2018 have been prepared in accordance with IAS 34, "Interim financial reporting" as adopted by the European Union. 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 2017, 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 Company financial statements. The annual Company financial statements are included in the Group's Annual report for the year ended 31 December 2017.

The condensed consolidated interim financial statements for the period ended 30 September 2018 of the Group have been prepared on a going concern basis.

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

Restatement in the presentation of the consolidated statement of profit or loss 2017

In previous years, the Group prepared its consolidated financial statements in accordance with bank-specific reporting requirements, as LeasePlan Corporation N.V. carries a banking licence. In 2017, the Group restated the presentation of the statement of profit or loss in accordance with IFRS, to present operating lease income in revenues in one line item, whereas the interest part was previously separately presented as part of net interest income. The statement of profit or loss for the nine months ended 30 September has been restated accordingly.

In the presentation of revenues, the Group distinguishes since 2017 between four revenue streams consisting of revenues from operating leases, finance leases, additional services provided and the vehicles sales for terminated contracts. The direct cost of revenues have also been changed in line with the abovementioned changes to the presentation of revenues. The changes include the new way of presentation of finance cost, unrealised gains/losses on financial instruments and impairment charges on loans and receivables as part of direct cost of revenues. Consequently, gross profit streams have also been presented in the categories of lease services, additional services and profit/loss on disposal of vehicles & End of Contract fees. Furthermore, other income is now presented separately below the operating expenses in the statement of profit or loss.

The restated presentation was initially applied in the 2017 financial statements and has been applied retrospectively to the 2017 comparative amounts in the consolidated statement of profit or loss. The comparative amounts have been restated as disclosed in the following table.

Condensed consolidated statement of profit or loss

for the nine months ended 30 September

In thousands of euros	Note	2017 Previously reported	Revenues and Direct cost of revenues	Interest income operating/finance lease	Interest expense and similar charges	Impairment charges on loans and receivables	Unrealised (gains)/losses on financial instruments	Operating expenses/ Other income	2017 Restated
Revenues (lease income and vehicle sales)		6,440,507	(6,440,507)		–				(0)
Operating Lease income		–	2,392,916	487,974	–	–	–	–	2,880,890
Finance Lease & other interest income		–	–	92,914	–	–	–	–	92,914
Additional Services income		–	1,869,327	–	–	–	–	–	1,869,327
Vehicle sales & End of Contract fees		–	2,178,264	–	–	–	–	–	2,178,264
Revenues	2	6,440,507	(0)	580,888	–	–	–	–	7,021,395
Cost of revenues		5,594,121	(5,594,121)						–
Depreciation cars		–	2,293,652	–	–	–	–	–	2,293,652
Finance cost		–	2,580	–	229,822	–	–	–	232,402
Unrealised (gains)/losses on financial instruments		–	–	–	–	–	(12,027)	–	(12,027)
Impairment charges on loans and receivables		–	–	–	–	14,273	–	–	14,273
Lease cost		–	2,296,232	–	229,822	14,273	(12,027)	–	2,528,299
Additional Services cost		–	1,258,101	–	–	–	–		1,258,101
Vehicle & disposal cost		–	2,039,789	–	–	–	–		2,039,789
Direct cost of revenues	**2**	**5,594,121**	**–**	**–**	**229,822**	**14,273**	**(12,027)**	**–**	**5,826,189**
Gross profit (net lease and vehicle sales income)		846,386	(846,386)						(0)
Lease Services		–	96,685	580,888	(229,822)	(14,273)	12,027	–	445,505
Additional Services		–	611,226	–	–	–	–		611,226
Profis/loss on disposal of vehicles & End of Contract fees		–	138,475	–	–	–	–		138,475
Gross profit		**846,386**	**–**	**580,888**	**(229,822)**	**(14,273)**	**12,027**	**–**	**1,195,206**
Interest and similar income		580,888	–	(580,888)	–	–	–	–	–
Interest expense and similar charges		(229,822)		–	229,822	–	–	–	–
Net Interest income		**351,067**	**–**	**(580,888)**	**229,822**	**–**	**–**		**–**
Impairment charges on loans and receivables		14,273	–			(14,273)	–	–	–
Unrealised (gains)/losses on financial instruments		12,027	–			–	(12,027)	–	–
Net finance income		**348,821**	**–**	**(580,888)**	**229,822**	**14,273**	**(12,027)**	**–**	**–**
Other income		**5,100**	**–**	**–**	**–**	**–**	**–**	**(5,100)**	**–**
Total operating income		**1,200,307**	**–**	**–**	**–**	**–**	**–**	**(5,100)**	**1,195,206**
Staff expenses		403,020	–	–	–	–	–	(7)	403,013
General and administrative		242,500	–	–	–	–	–	(242,500)	–
Other operating expenses		–	–	–	–	–	–	242,507	242,507
Other depreciation and amortisation		34,859	–	–	–	–	–	–	34,859
Total operating expenses		**680,379**	**–**	**–**	**–**	**–**	**–**	**–**	**680,380**
Other income		-	-	-	-	-	-	5,100	5,100
Share of profit of investments accounted for using the equity method		1,681	-	-	-	-	-	-	1,681
Profit before tax		**521,609**	-	-	-	-	-	-	**521,609**
Income tax expenses		117,691	-	-	-	-	-	-	117,691
Net result attributable to owners of the parent		**403,918**	-	-	-	-	-	-	**403918**

The changes in format as described, have an impact on the presentation of the items in the condensed consolidated statement of profit or loss. Due to changes in the consolidated statement of profit or loss certain line items in the statement of cashflows changed. The changes did not impact the total net cashflows from operating, investing and financing activities. There is no impact on the statements of comprehensive income, statement of changes in equity and statement of financial position.

Restatement in the presentation of the cash and balances at bank for the purposes of cash flow statements

Certain comparative amounts have been restated as a result of the Group's revised interpretation of the classification of "Cash and balances at bank for the purpose of the statement of cash flows". The changes are reflected in the table below:

		Previously reported	Reclassification of Deposits with banks	Adjusted
Cash and balances at bank for the purposes of the statement of cash flows	at 30 September	2,461,047	199,388	2,660,435
	at 1 January 2018	2,224,729	257,269	2,481,998

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.

Adoption of new accounting standards

The following new standards have been adopted by the Group on 1 January 2018.

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from contracts with customers

IFRS 9 – Financial Instruments

The Group has adopted IFRS 9 Financial Instruments (as issued by the IASB and subsequently endorsed by the European Union in November 2016) as from 1 January 2018. Classification and Measurement and Impairment requirements have been applied retrospectively by adjusting the opening balance sheet and opening equity as at 1 January 2018 and decided not to restate comparative periods. The Group elected an accounting policy choice under IFRS 9 to defer the application of the new general hedging model and 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. However, the Group will implement the revised hedge accounting disclosures that are required by the IFRS 9 related amendments to IFRS 7 "Financial Instruments: Disclosures".

The adoption of IFRS 9 resulted in the following key changes to the Group's accounting policies:

1 Classification and measurement of financial assets

IFRS 9 introduces an approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. Generally, financial assets and liabilities are measured at fair value on their initial recognition.
For subsequent measurement, IFRS 9 contains three principal categories for financial assets, being amortized cost, fair value through Other comprehensive income and Fair value through profit and loss.

For debt financial assets specific requirements are in place. First of all the business model needs to be determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on management's intentions for an individual instrument.

Accordingly, this condition is not an instrument-by-instrument approach to classification and is determined on a higher level of aggregation.

Next to the business model assessment, the cash-flow characteristics of the debt instruments need to be assessed in order to determine whether or not the cash flows from the instrument are Solely Payments of Principal and Interest (SPPI). Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement, where consideration for time value of money and credit risk are the most significant elements of interest.
This so-called SPPI test needs to be passed on an individual instrument level in order to be able to account for the instrument at amortized cost (if business model is Held to Collect) or at Fair Value through Other Comprehensive Income (FVOCI) (if business model is Held to Collect and Sell). If the SPPI test is not passed i.e. cash flows are not in line with a basic lending arrangement, or the business model would neither be Held to Collect or Held to Collect and Sell, the instrument is accounted for as Fair value through P&L.

A debt financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

2 Impairment of financial assets

Following financial assets are in the scope of the new impairment requirements of IFRS 9.

All debt financial assets as defined in IFRS 9 that are measured at amortized cost or FVOCI, including e.g.:

- Cash and balances at central banks
- Receivables from financial institutions
- Loans to investments accounted for using the equity method
- Trade receivables
- Intercompany loans
- Loan commitments and financial guarantee contracts issued that are not measured at FVTPL

Assets from other standards, brought in scope of IFRS 9 impairments

- Amounts receivable under finance lease contracts in scope of IAS 17 and IFRS 16 (as from 1 January 2019).
- Contract assets recognized in scope of IFRS 15.

The IFRS 9 impairment requirements are based on an expected credit loss (ECL) model, replacing the incurred loss methodology model under IAS 39, the previous standard for the accounting of financial instruments. Under IFRS 9, the Group is required to recognise an ECL upon initial recognition of a financial asset. Key changes in the Group's accounting policy for impairment of financial assets are listed below.

To measure the ECL based on the General Approach, assets migrate through the following 3 stages based on the change in credit quality since initial recognition:

i. Stage 1: 12-months expected credit losses

This stage includes financial instruments that have not had a significant increase in credit risk since initial recognition and that are not credit impaired upon origination. For these financial instruments, the expected credit losses that result from default events that are possible within 12 months after the reporting date are recognised. Interest revenue is recognised based on the gross carrying amount. That is without deduction for expected credit losses.

ii Stage 2: Lifetime expected credit losses – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime expected credit loss is recognised. Interest revenue is recognised based on the gross carrying amount. That is without deduction for expected credit losses.

iii Stage 3: Lifetime expected credit losses – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Interest revenue is recognised based on the amortised cost including the impairment expected credit losses.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. In addition, the Group uses qualitative information such as the monitoring of existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant (negative) change in the debtor's ability to meet its obligations towards the Group. In general, the Group will apply the backstop of 30 days past due as an automatic trigger for significant increase in credit risk.

Next to the general approach, a simplified approach may be applied for trade receivables without a significant financing component (IFRS 15) and finance lease receivables. The simplified approach states that the loss allowance is always equal to the lifetime expected credit losses.

The Group has based the new impairment requirements of IFRS 9 on its existing credit risk management processes and procedures as described in the credit risk management chapter of the 2017 Annual Report. The Group has therefore chosen to identify credit impaired assets under IFRS 9 by applying the default definition used for credit risk management purposes. The Group defines a default as: Any customer that is either unable to fulfil its obligations (irrespective of the amount involved or the number of days outstanding), or when customers are over 90 days in arrears, or local judgement determines that there is a reasonable chance that the amount will or will not be collected.

Application of IFRS 9 to the relevant asset categories:

a. Lease receivables from clients

The most significant financial assets on the Group's statement of financial position are lease receivables from clients consisting of finance lease receivables and trade receivables from operating lease contracts. Trade receivables from operating lease contracts do not contain a significant financing component and therefore require the simplified approach. For the finance lease receivables the Group elected an accounting policy choice to use the simplified approach which means recognition of equal to lifetime expected credit losses.

The amount of ECL is measured as the probability weighted present value of all cash shortfalls over the expected life of the financial asset discounted at the original implicit interest rate embedded in the lease contract. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. Please refer to the credit risk section for more details about the inputs, assumptions and estimation techniques in measuring ECL for lease receivables.

b. Receivables from financial institutions

For receivables from financial institutions, the Group applies the general approach using the low credit risk assumption. As a result, the Group assumes that credit risk has not significantly increased as the credit risk is considered low for this asset class (generally this is the case when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'). At each reporting date, the Group assesses the appropriateness of this assumption.

c. Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contracts issued that are not measured at fair value through profit or loss are subject to the impairment requirements of IFRS 9. A liability that results from a loan commitment (issued with a below-market interest rate) or financial guarantee requires to be measured, after initial recognition, at the higher of:

- The amount of the provision for expected credit losses; and
- The amount initially recognised, less the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Presentation

The amount of expected credit losses on financial assets are presented in the statement of financial position as follows:

- Financial assets: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantees: as a provision.

Transition

Changes in the accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 have been recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- 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 has assumed that credit risk on the asset had not increased significantly since its initial recognition.

The following section provides more information and details on the changes and implications resulting from the adoption of IFRS 9.

Transitional disclosures

The Group has concluded that the IFRS 9 transition amount will reduce shareholders' equity by EUR 5.1 million after- tax as at 1 January 2018. The impact relates solely to the implementation of the new 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.

In thousands of euros	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)	(5,131)
Opening balance under IFRS 9 (1 January 2018)	**2,692,018**

Classification & Measurement

The classification and measurement of financial assets have been assessed based on how these are managed (the business model test) as well as their contractual cash flow characteristics. The outcome of these tests indicate how financial assets are measured: at amortized cost, fair value through other comprehensive income or fair value through profit or loss. As concluded by the Group, upon adoption of

IFRS 9, there are no material changes in the classification and measurement of financial assets or financial liabilities.

Impairment of Financial Assets

The impact of the application of IFRS 9 on the credit impairment is presented in the table below. The table reconciles:

- The closing balance for incurred losses for financial assets in accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as at 31 December 2017; to
- The opening balance for ECL is determined in accordance with IFRS 9 as at 1 January 2018.

Reconciliation Impairment loss allowance IAS 39 vs IFRS 9	31 December 2017 (Impairment allowances under IAS 39 or IAS 37)	Transitional Adjustments	1 January2018 (IFRS 9)
Loans and receivables under IAS 39/financial assets at amortised cost under IFRS 9:			
Receivables from financial institutions	-	337	337
Lease receivables from clients	21,887	11,405	33,292
Release of IBNR	7,075	(7,075)	-
Loans commitments and financial guarantee contracts issued	-	1,011	1,011
Total	**28,962**	**5,678**	**34,640**

Transitional adjustments of EUR 5,678 thousand include the deferred tax amount of EUR 547 thousand. The adjustment on the opening balance of retained earnings amounting to EUR 5,131 represents the post-tax impact.

IFRS 15 – Revenues from contracts with customers

The Group has adopted IFRS 15 Revenues from contracts with customers (as issued by the IASB and subsequently endorsed by the European Union in September 2016) 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 are impacted by IFRS 15 in two ways:

- Service components of arrangements are governed in their entirety by IFRS 15.
- While recognition of lease and insurance elements are governed by IAS 17 'Leases' and IFRS 4 'Insurance contracts' respectively, their allocation of value from a customer's monthly instalment is performed under IFRS 15.

The Group's policies for the identification of performance obligations, determination of the transaction price and the resulting allocation of value are 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 to the group's financial statements upon the implementation of IFRS 15.

New standards, amendments and interpretations issued but not effective for the financial year as from 1 January 2018 and not early adopted

The following standards, amendments and interpretations are not yet effective and have not yet been early adopted:

IFRS 16 - Leases

The Group will adopt IFRS 16 (as issued by the IASB and subsequently endorsed by the European Union in November 2017) by the required effective date of 1 January 2019. Set out below is an overview of IFRS 16 as well as the impact of the adoption of IFRS 16 on the Group.

IFRS 16 introduces a new approach to lessee accounting, requiring the recognition of assets and liabilities for the rights and obligations created by all types of leases (previously only finance leases). Lease assets will then be depreciated over the term of the lease, while liabilities will be cash settled against, and accreted upwards to future value. The approach in IFRS 16 for lessor accounting remains substantially unchanged compared to IAS 17. Lessors continue to classify leases as operating or finance leases.

The Group is currently in the process of implementing IFRS 16 in its role as a lessee. An overview of existing operating lease contracts consisting primarily of property related leases is currently being finalized. The Group is also implementing a new system in order to support the underlying accounting.

The Group is still assessing what other adjustments, if any, are necessary, such as changes in the definition of the lease term, including extension and termination options, and the different treatment of variable lease payments. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the group's statement of income and classification of cash flows going forward.

The Group is also currently still assessing the full financial impact of IFRS 16.

IFRS 17 - Insurance contracts

The Group will adopt IFRS 17 (as issued by the IASB in May 2017) by the required effective date of 1 January 2021. Set out below is an overview of IFRS 17 as well as the impact of the adoption of IFRS 17 on the Group.

IFRS 17 includes a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- Discounted probability-weighted cash flows
- An explicit risk adjustment, and
- A contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. This is expected to impact the damage risk retention provision.

The Group is currently assessing the impact of IFRS 17, and as such is not in a position to quantify its impact, nor specify its choice of transition methods.

Use of judgements and estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these 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 the same as those applied to the consolidated financial statements for the year ended 31 December 2017.

Effective 1 January, 2018, the Group adopted IFRS 9 – Financial Instruments. The measurement of the ECL allowance for financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). As a result judgement is required from management for example in the following areas:

- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the number and relative weightings of forward looking scenarios.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent best estimate of the possible outcomes. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly by management.

Please refer to the credit risk section for more detail about the inputs, assumptions and estimation techniques in measuring ECL.

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

Introduction

The Group's activities expose it to a variety of financial risks: credit risk, asset risk, treasury risk and insurance risk. The treasury risk can be further broken down into risk related to liquidity, interest rate and currency. 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 2017.

There have been no material changes to the financial risk profile of the Group since year-end 2017. Credit risk, asset risk and liquidity risk are further described below as these are considered to be the primary risk management areas.

A. Credit risk

The Group uses internally developed risk measurement system and internal rating based models (IRB) to measure the probability of default and the exposure to potential defaults and the loss given default for the corporate lease portfolio and the retail lease portfolio of the United Kingdom and the Netherlands. For the other portfolios the standardised approach is applied. The Group uses this measurement system to be able to report on such credit risk to external regulators.

Effective 1 January, 2018, the Group adopted IFRS 9. Details about the inputs, assumptions and estimation techniques used in measuring ECL for finance lease receivables and trade receivables from operating lease contracts are provided below.

Leveraging the existing risk measurement systems in place for regulatory capital purposes, the Group has developed IFRS 9 ECL models. Since the Group applies the Simplified method, the model computes lifetime expected credit losses. As the IRB models used for calculating regulatory capital do not suffice for IFRS 9 they have been adjusted and/or supplemented:

- Removed through-the-cycle assumptions of default and conservatism bias.
- Have a forward-looking estimate of PD and LGD.
- Macroeconomic forecasting: forward-looking information.

ECL is calculated by multiplying the Probability of default (PD), Loss Given Default (LGD) and Exposure at Default (EAD):

- PD represents the likelihood of a client defaulting on its financial obligations over the remaining lifetime of the obligation (lifetime PD).
- LGD represents the Group's expectation of the extent of the loss on a defaulted exposure over the remaining lifetime of the lease contract (lifetime LGD). LGD varies by type of counterparty and is expressed as a percentage loss per unit of exposure at the time of default.
- EAD is based on the amount the Group expects to be owed at the time of default over the remaining lifetime of the lease contract (lifetime EAD).

The outcome is discounted back to the reporting date using the discount rate used in measuring the lease receivables under IAS 17. Inputs used in the IFRS 9 ECL models include lease contract data such as contractual cash flows and contractual maturity date as well as credit risk information such as credit quality of the client and level of arrears.

The IFRS 9 ECL models also incorporate forward looking information (i.e. GDP and unemployment rates) through the use of three different scenarios of future economic developments: Baseline, Optimistic and Adverse. Each scenario is run through the IFRS 9 ECL models and multiplied by the appropriate scenario weighting resulting in a probability weighted ECL. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent best estimate of the possible outcomes. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly by management.

The IFRS 9 ECL models are subject to annual review to ensure they are still fit for purpose and the use and performance continue to meet the Group's standards. In case of significant changes, external model validation is conducted.

B. Asset risk

The resale value of a vehicle is influenced by the characteristics of the vehicle and by the state of the market in which the vehicle is being sold. The risk that LeasePlan is exposed to is related to the possibility of the resale value of the vehicle being lower than the estimate made at inception of the contract, also considering adjustments in the residual value over the term of the contract. 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 inherit 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 September 2018 amounted to EUR 11.9 billion[5] (year-end 2017: EUR 11.6 billion).

Due to a sharp devaluation of the Turkish lira in the third quarter of 2018 an additional impairment charge of EUR 84 million is recognised for loss-making lease contracts (see Note 10 for more information).

We are significantly investing in the LeasePlan data science team continuously monitoring consumer mobility and car preferences and their potential impact on current and future used car prices. As part of this initiative, we are closely analysing the developments in diesel prices by market, car and engine type and reflecting our observations in the setting of residual values on new contracts, customer incentives towards certain car types and the management of existing lease agreements and our fleet value.

C. Liquidity risk

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 stress at least 9 months can be survived.

[5] In addition to this amount the Group has also provided off balance residual value commitments for non-funded vehicles up to an amount of EUR 371 million (year-end 2017:EUR 361 million).

D. Fair value of financial instruments

The next table 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 costs on the balance sheet as at 30 September 2018 and 31 December 2017.

As at 30 September 2018	Carrying value	Fair value		
In thousands of euros		Level 1	Level 2	Total
Financial assets measured at fair value				
Derivatives financial instruments in hedge	41,536	–	41,536	41,536
Derivatives financial instruments not in hedge	34,563	–	34,563	34,563
Total financial assets measured at fair value	**76,100**	**–**	**76,100**	**76,100**
Financial assets not measured at fair value				
Cash and balances at central banks	**2,821,122**	**2,821,122**	**–**	**2,821,122**
Receivables from financial institutions	504,371	–	504,371	504,371
Lease receivables from clients	3,371,230	–	3,449,610	3,449,610
Investments accounted for using equity method	15,019		15,019	15,019
Loans to investments using the equity method	147,300	–	150,190	150,190
Receivables and prepayments[1]	512,125	–	512,455	512,455
Assets held-for-sale	37,970	–	37,970	37,970
Total financial assets not measured at fair value	**7,409,137**	**2,821,122**	**4,669,614**	**7,490,737**
Total financial assets	**7,485,236**	**2,821,122**	**4,745,714**	**7,566,836**
Financial liabilities measured at fair value				
Derivatives financial instruments in hedge	36,985	–	36,985	36,985
Derivatives financial instruments not in hedge	61,001	–	61,001	61,001
Total financial liabilities measured at fair value	**97,986**	**–**	**97,986**	**97,986**
Financial liabilities not measured at fair value				
Funds entrusted	6,592,932	–	6,634,779	6,634,779
Trade and other payables and deferred income[2]	896,280	–	896,280	896,280
Borrowings from financial institutions	3,337,359	–	3,434,475	3,434,475
Debt securities issued	10,135,041	–	10,193,617	10,193,617
Total financial liabilities not measured at fair value	**20,961,613**	**–**	**21,159,151**	**21,159,151**
Total financial liabilities	**21,059,598**	**–**	**21,257,137**	**21,257,137**

[1] Other receivables that are not financial assets are not included.
[2] Other payables that are not financial liabilities are not included.

During the reporting period there were no changes in the valuation techniques or transfers between levels 1, 2 and 3.

as at 31 December 2017	Carrying value	Fair value		
		Level 1	Level 2	Total
Financial assets measured at fair value				
Derivatives financial instruments in hedge	54,690	–	54,690	54,690
Derivatives financial instruments not in hedge	48,768	–	48,768	48,768
Total financial assets measured at fair value	103,458	–	103,458	103,458
Financial assets not measured at fair value				
Cash and balances at central banks	2,349,162	2,349,162	–	2,349,162
Receivables from financial institutions	547,296	–	547,296	547,296
Lease receivables from clients[3]	3,260,694	–	3,273,332	3,273,332
Investments accounted for using equity method	12,983	–	12,983	12,983
Loans to investments using the equity method	140,500	–	143,774	143,774
Receivables and prepayments[1]	365,720	–	366,021	366,021
Total financial assets not measured at fair value	6,676,355	2,349,162	4,343,406	6,692,568
Total financial assets	**6,779,813**	**2,349,162**	**4,446,864**	**6,796,026**
Financial liabilities measured at fair value				
Derivatives financial instruments in hedge	**25,937**	**–**	**25,937**	**25,937**
Derivatives financial instruments not in hedge	54,432	–	54,432	54,432
Total financial liabilities measured at fair value	80,369	–	80,369	80,369
Financial liabilities not measured at fair value				
Funds entrusted	**6,002,501**	**–**	**6,162,088**	**6,162,088**
Trade and other payables and deferred income[2]	914,609	–	914,609	914,609
Borrowings from financial institutions	3,323,132	–	3,223,358	3,223,358
Debt securities issued	9,337,826	–	9,464,504	9,464,504
Total financial liabilities not measured at fair value	19,578,068	–	19,764,559	19,764,559
Total financial liabilities	**19,658,437**	**–**	**19,844,928**	**19,844,928**

[1] Other receivables that are not financial assets are not included.
[2] Other payables that are not financial liabilities are not included.
[3] Presented as level 2 (previously as level 3) as this better reflects the technique used to determine its fair value

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 are the only financial instruments held that are included in level 1.

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).
- 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.

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 of 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. The Group identified Europe and Rest of the world as two operating 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 non-GAAP measures, such as Serviced fleet, Revenue and Underlying Net result. The performance measures are obtained from the internal system of management accounting. All relevant revenues and related costs of the central managed activities, like borrowings, treasury, insurance, information services, supply services and holding activities are allocated to the individual segments. This provides management a comprehensive view of the performance of the segments. Inter- segment revenues are not presented separately given their insignificance.

The segment information is presented in the table below.

In millions of euros	Note	Europe		Rest of World		Total	
		9M 2018	9M 2017	9M 2018	9M 2017	9M 2018	9M 2017
Serviced fleet at period end		1,409	1,290	413	416	1,822	1,706
Operating Lease income		2,693	2,609	264	272	2,957	2,881
Finance Lease & Other interest income		44	44	54	49	98	93
Additional Services income		1,622	1,630	211	239	1,833	1,869
Vehicle sales & End of Contract fees		2,074	1,957	230	221	2,304	2,178
Revenues		6,434	6,240	759	781	7,193	7,021
Finance cost		148	156	75	77	224	232
Car and other depreciation and amortization		2,170	2,108	181	186	2,350	2,294
Impairment	10	114				114	
Underlying taxes		81	112	18	15	99	128
Underlying net result		338	404	34	26	372	431
Underlying net result excluding impairment		427	404	34	26	460	431
Total liabilities		20,293	18,593	2,911	2,780	23,204	21,373
Total assets		23,381	21,416	3,265	3,127	26,646	24,544

Revenue generated over time consists of operating lease income, finance lease income, other interest income and additional service income amounted to EUR 4,360 million (Q3 2017: EUR 4,283 million) in Europe in comparison to EUR 529 million in Rest of the World EUR 560 million).

Revenue generated at a point in time consists of vehicle sales and end of contract 2,074 million for Europe (Q3 2017: EUR 1,957 million) and EUR 230 million for Rest of the World (Q3 2017: EUR 221 million).

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

	FTE's (average)		Underlying Revenues		Lease contracts	
Country of activity	2018	2017	2018	2017	2018	2017
Netherlands	1,218	888	829	796	2,339	2,161
United Kingdom	523	524	854	840	2,496	2,345
Italy	509	488	779	688	1,814	1,561
Other	4,806	4,701	4,730	4,697	13,607	12,942
As at 30 September	7,056	6,601	7,193	7,021	20,256	19,008

Non-GAAP Measures

In thousands of euros	IFRS results September 2018	Underlying adjustments			Underlying results September 2018
		Power of One LeasePlan	Unrealized results on financial instruments	Tax effect	
Revenues	7,192,681				7,192,681
Direct cost of revenues	6,091,079		(1,302)		6,089,777
Gross profit	1,101,602		1,302		1,102,904
Total operating expenses	658,619	(24,414)			634,205
Share of profit of investments accounted for using the equity method	2,588				2,588
Profit before tax	445,570	24,414	1,302		471,286
Income tax expenses	92,864			6,401	99,265
Net result attributable to owners of the parent	352,707	24,414	1,302	(6,401)	372,022

The IFRS effective **tax rate** for the nine months ended September 30, 2018 was 20.8%. In the three months ended September 30, 2018 the IFRS effective tax rate was 28.5%, impacted by a negative tax effect in Turkey related to the impairment of the lease portfolio (See note 10). This was partly offset by lower headline tax rates in some countries.

In thousands of euros	IFRS results September 2017	Underlying adjustments				Underlying results September 2017
		Power of One LeasePlan	Unrealized results on financial instruments	Sale of Terberg	Tax effect	
Revenues	7,021,395					7,021,395
Direct cost of revenues	5,826,189		12,027			5,838,216
Gross profit	1,195,206		(12,027)			1,183,179
Total operating expenses	680,379	(53,835)				626,545
Other income	5,100			(5,100)		–
Share of profit of investments accounted for using the equity method	1,681					1,681
Profit before tax	521,609	53,835	(12,027)	(5,100)	–	558,315
Income tax expenses	117,691				10,124	127,815
Net result attributable to owners of the parent	403,918	53,835	(12,027)	(5,100)	(10,124)	430,502

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	Q3 2018	Q3 2017	9M 2018	9M 2017
Operating Lease Income	999,039	962,709	2,957,231	2,880,890
Finance lease & other interest income	33,580	28,588	98,246	92,914
Additional Service Income	607,384	633,427	1,833,338	1,869,327
Vehicle sales & End of contract fees	750,710	697,963	2,303,865	2,178,264
Revenues	2,390,712	2,322,688	7,192,681	7,021,395

Finance Lease & other interest income for the nine months ended 30 September 2018 includes an amount of EUR 6.4 million (2017: EUR 4.1 million) related to Other interest income.

Operating Lease income for the nine months ended 30 September 2018 includes an amount of EUR 493.7 million (Q3 2017: EUR 488.0 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	Q3 2018	Q3 2017	9M 2018	9M 2017
Depreciation cars	794,257	766,726	2,350,273	2,293,652
Impairment on assets *	83,740	–	114,000	–
Finance cost	75,654	73,871	223,534	232,402
Unrealised gains on financial instruments	1,687	95	1,302	(12,027)
Impairment charges on loans and receivables	7,748	4,319	20,026	14,273
Lease cost	963,085	845,011	2,709,136	2,528,299
Additional Services cost	391,569	439,064	1,170,784	1,258,101
Vehicle & disposal cost	719,640	655,183	2,211,159	2,039,789
Direct cost of revenues	2,074,294	1,939,259	6,091,079	5,826,189

(*) Impairment on assets is included in line-item Depreciation cars in the consolidated statement of profit or loss. Refer to note 10 for more details on the impairment.

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	Q3 2018	Q3 2017	9M 2018	9M 2017
Lease Services	154,960	146,381	461,644	433,478
Impairment on assets *	(83,740)	–	(114,000)	–
Unrealised gains on financial instruments	(1,687)	(95)	(1,302)	12,027
Lease	69,534	146,286	346,342	445,505
Fleet Management & Other Services	72,970	66,489	217,247	209,301
Repair & Maintenance Services	75,956	67,490	241,151	221,602
Damage & Insurance	66,889	60,384	204,155	180,323
Additional Services	215,814	194,363	662,554	611,226
End of Contract fees	34,813	28,437	94,110	88,088
Profit/loss on disposal of vehicles	(3,742)	14,343	(1,404)	50,387
Profit/loss on disposal of vehicles & End of contract fees	31,070	42,780	92,706	138,475
Gross profit	**316,419**	**383,429**	**1,101,602**	**1,195,206**

(*) Impairment on assets is included in line-item Depreciation cars in the consolidated statement of profit or loss. Refer to note 10 for more details on the impairment.

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	Q3 2018	Q3 2017	9M 2018	9M 2017
Operating Lease - interest income	168,503	163,617	493,709	487,974
Finance Lease & other interest income	33,580	28,588	98,246	92,914
Finance cost	(75,654)	(73,871)	(223,534)	(232,402)
Net interest income	126,429	118,334	368,421	348,487
Unrealised gains/(losses) on financial instruments	(1,687)	(95)	(1,302)	12,027
Impairment charges on loans and receivables	(7,748)	(4,319)	(20,026)	(14,273)
Net finance income	**116,994**	**113,920**	**347,093**	**346,241**

3 Other income

Other income includes the result on the sale of its subsidiary Mobility Mixx B.V, in the nine and three months ended September 30, 2018. Other income in the nine and three months ended September 30, 2017 includes the result of the sale of its 24% interest in Terberg Leasing B.V. In financial year 2016 other income included the result of the sale of Travelcard Nederland B.V.

4 Other reserves

The other reserves comprise of the translation reserve, post-employment benefit reserve and the hedging reserve.

The translation reserve comprises of exchange rate differences arising from the translation of the assets, liabilities, income and expenses of subsidiaries with other functional currencies than the group presentation currency.

5 Cashflow statement - cash and cash equivalents

In thousands of euros	Note	30 September 2018	30 September 2017
Cash and balances at central banks		2,821,122	2,464,269
Deposits with banks	6	252,477	199,388
Call money, cash at banks	6	76,148	116,980
Call money and bank overdrafts		(225,182)	(120,202)
Balance as at 30 September for the purposes of the statement of cash flows		**2,924,566**	**2,660,435**

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 62.7 million (30 September 2017: EUR 58.7 million) are not used in the Group's day-to-day operations and form part of the 'Cash and balances at central banks'.

6 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	Note	30 September 2018	31 December 2017
Deposits with banks	5	252,477	257,269
Call money, cash at banks	5	76,148	76,253
Cash collateral deposited for securitisation transactions		112,922	176,558
Cash collateral deposited for derivative financial instruments		59,014	33,848
Other cash collateral deposited		3,810	3,367
Total		**504,371**	**547,296**

The maturity analysis is as follows:

In thousands of euros	30 September 2018	31 December 2017
Three months or less	499,477	364,508
Longer than three months, less than a year	709	143,633
Longer than a year, less than five years	4,013	39,052
Longer than five years	172	103
Total	**504,371**	**547,296**

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 at 30 September 2018 amounted to EUR 0.3 million.

7 Derivative financial instruments

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

	30 September 2018			31 December 2017		
	Notional amounts	Fair value		Notional amounts	Fair value	
In thousands of euros		Assets	Liabilities		Assets	Liabilities
Fair value hedge						
Interest rate swaps	4,539,504	41,120	8,728	5,116,881	54,227	14,018
Currency swaps	419,019	310	25,016	434,434	–	10,272
Cash flow hedge						
Interest rate swaps	1,453,574	107	3,241	1,380,000	463	1,647
Total derivatives in hedge	6,412,097	41,536	36,985	6,931,315	54,690	25,937
Interest rate swaps	17,903,804	12,296	17,946	18,177,904	14,164	19,970
Currency swaps/currency forwards	4,214,497	22,267	43,055	3,409,241	34,604	34,462
Total derivatives not in hedge	22,118,300	34,563	61,001	21,587,145	48,768	54,432
Total	28,530,397	76,100	97,987	28,518,460	103,458	80,369

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:

	Q3 2018	Q3 2017	9M 2018	9M 2017
Derivatives not in hedges	(284)	378	700	15,317
Hedge ineffectiveness cash flow hedges	–	(0)	–	(15)
Derivatives fair value hedging instruments	(13,529)	589	(5,139)	(18,660)
Financial liabilities fair value hedged items	12,124	(1,062)	3,135	15,385
Hedge ineffectiveness fair value hedges	**(1,404)**	**(473)**	**(2,004)**	**(3,274)**
Unrealised gains/(losses) on financial instruments	**(1,689)**	**(95)**	**(1,304)**	**12,027**

A number of fixed rate bonds are included in fair value hedges whereby the bonds (the hedged items) are measured at amortised cost and are constantly being adjusted for gains/losses attributable to the risk being hedged. This adjustment is recognised in the statement of profit or loss, where it offsets the re-measurement of the fair value of the hedging instruments that is also recognised in the statement of profit or loss.

Certain derivative contracts are used by the Group as part of its Interest and Liquidity Risk Management Strategy. These economic hedges do not qualify for hedge accounting.

8 Other receivables and prepayments

This item includes prepayments in respect of expenses attributable to a subsequent period and amounts still to be received, as well as amounts that are not classified under any other asset. The majority of the other receivables and prepayments has a remaining maturity of less than one year and consists of prepaid lease related expenses and rebates and bonuses receivable.

9 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.

In thousands of euros	30 September 2018	31 December 2017
Amounts receivable under finance lease contracts	2,675,183	2,608,572
Trade receivables	738,445	689,395
Impairment	(42,399)	(37,273)
Total	**3,371,230**	**3,260,694**

The maturity analysis is as follows:

In thousands of euros	30 September 2018	31 December 2017
Three months or less	1,192,133	1,113,403
Longer than three months, less than a year	730,086	706,284
Longer than a year, less than five years	1,477,600	1,464,123
Longer than five years	13,810	14,157
Impairment	(42,399)	(37,273)
Total	**3,371,230**	**3,260,694**

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 297.4 million (year-end 2017: EUR 47.0 million).

Included in impairments is the invoices under dispute amounting to EUR -4.6 million (year-end 2017: EUR -4.9 million).

The following table provides information on the movements of gross carrying amounts of lease receivables.

	Lease receivables from clients that are not credit impaired	Lease receivables from clients that are credit impaired	Total
Balance as at 1 January	**3,269,081**	**28,886**	**3,297,967**
Transfers (credit impaired vs non-credit impaired)	(15,084)	15,084	–
Additions	1,039,391	–	1,039,391
Terminated contracts	(516,392)	(4,332)	(520,724)
Redemptions	(481,600)	(781)	(482,381)
Write-offs	–	(8,929)	(8,929)
Exchange rate movements	30,556	(49)	30,507
Other movements	53,679	4,117	57,796
Balance as at 30 September	**3,379,631**	**33,997**	**3,413,628**

The table below summarizes the movements in the expected credit loss allowance related to lease receivables.

	Lease receivables from clients that are not credit impaired	Lease receivables from clients that are credit impaired	Total
Balance as at 1 January	**10,411**	**22,881**	**33,292**
Transfers (credit impaired vs non-credit impaired)	(94)	94	-
Additions	3,455	-	3,455
Decreases due to derecognition	(1,159)	(1,127)	(2,286)
Changes due to change in credit risk (net)	(1,334)	13,401	12,067
Changes due to modifications without derecognition (net)	418	(89)	329
Write-offs	-	(8,974)	(8,974)
Exchange rate and other	(1,003)	422	(581)
Balance as at 30 September	**10,693**	**26,608**	**37,302**

10 Property and equipment under operating lease and rental fleet

In thousands of euros	Operating lease	Rental fleet	Total
Cost	21,343,482	108,897	21,452,379
Accumulated depreciation and impairment	(5,516,766)	(16,184)	(5,532,950)
Carrying amount as at 1 January 2017	**15,826,716**	**92,713**	**15,919,429**
Purchases	4,737,112	75,762	4,812,874
Transfer from inventories	34,619	–	34,619
Transfer to inventories	(249,163)	–	(249,163)
Disposals	(1,579,402)	(32,434)	(1,611,836)
Depreciation and impairment	(2,348,622)	(18,174)	(2,366,796)
Exchange rate differences	(177,830)	258	(177,572)
Carrying amount as at 30 September 2017	**16,243,430**	**118,125**	**16,361,555**
Cost	21,958,064	140,173	22,098,237
Accumulated depreciation and impairment	(5,714,634)	(22,048)	(5,736,682)
Carrying amount as at 30 September 2017	**16,243,430**	**118,125**	**16,361,555**
Purchases	1,786,032	22,459	1,808,490
Transfer to inventories	(57,187)	–	(57,187)
Disposals	(559,529)	(2,344)	(561,873)
Depreciation and impairment	(798,378)	(1,840)	(800,218)
Exchange rate differences	(69,975)	451	(69,525)
Reclassification	24,048	3,403	27,451
Carrying amount as at 31 December 2017	**16,568,441**	**140,253**	**16,708,694**
Cost	22,534,378	164,184	22,698,562
Accumulated depreciation and impairment	(5,965,938)	(23,931)	(5,989,868)
Carrying amount as at 31 December 2017	**16,568,441**	**140,253**	**16,708,694**
Purchases	5,272,335	86,830	5,359,165
Transfer from inventories	86,624	–	86,624
Transfer to inventories	(308,716)	–	(308,716)
Disposals	(1,637,817)	(31,034)	(1,668,851)
Depreciation	(2,379,126)	(15,769)	(2,394,895)
Impairment	(114,000)	–	(114,000)
Exchange rate differences	(44,319)	(664)	(44,983)
Reclassification	(18,336)	(1,472)	(19,808)
Carrying amount as at 30 September 2018	**17,425,087**	**178,144**	**17,603,231**
Cost	23,804,025	209,186	24,013,211
Accumulated depreciation and impairment	(6,389,910)	(31,042)	(6,420,952)
Carrying amount as at 30 September 2018	**17,414,115**	**178,144**	**17,592,259**

Equipment under operating lease contract was impaired in the nine months of 2018 for an amount of EUR 114 million (Q3 2017: nil) and consisted of EUR 104 million on the Turkish fleet and EUR 10 million related to loss-making contracts in Germany. The total impairment of EUR 114 million is recognized in the consolidated statement of profit or loss in the line-item Depreciation cars.

Impairment in Turkey Q3
Due to a sharp depreciation of the Turkish lira in the third quarter of 2018 an additional impairment charge of EUR 84 million is recognised for loss-making lease contracts in the Turkish fleet. The total cumulative impairment per 30 September 2018 on the Turkish lease contracts amounts to EUR 87 million and inventory write-down amounts to EUR 15 million and is presented in the segment Europe. Based on a combined residual value and inventory balance sheet position of about EUR 500 million in Turkey, the cumulative impairment and write-down is approximately 20% of the gross carrying value.

Local market convention was to price lease contracts in euro, whereas vehicles at contract-end are sold in Turkish lira. Historically, used-vehicle prices in lira and the EUR/TRY exchange rate have been correlated. However, during the period of severe and rapid lira depreciation, increases in lira prices for used cars did not fully offset this currency depreciation. New legislation from the Turkish government requires new lease contracts to be priced and/or indexed in Turkish lira (existing contracts are exempted from this legislation).

The recoverable amount is determined as the value in use at the customer level.

As debt funding and interest payments are considered to be operational in nature, the valuation of the Turkish leasing portfolio and the assessment of the value in use is performed based on a discounted cash-flow-to-equity model. Since our functional currency in Turkey is euros an euro based (equity) discount rate of 9.19% pre-tax is used. The Turkish lira forward rate (source: Bloomberg) at reporting date is used to translate any Turkish lira related cash flows to euros.

The rate of inflation in Turkey is a key assumption underlying future cash flows and a major input of the calculation of the recoverable amount. To calculate the Turkish lira based cash flows we apply the inflation assumptions as published by the International Monetary Fund (IMF) in October 2018. The applied inflation rates for 2018 and 2019 are 15% and 17% and decrease to 13% towards 2022.

The sensitivity of the impairment on Turkish lease contracts to an increase (/decrease) of the inflation rate of 5% point (applying the same forward exchange rate curve) amounts to a decrease (/increase) of the impairment amount between EUR 10 and 20 million.
The sensitivity to an increase (/decrease) in spot and forward rates (EUR/TRY) with 5 % in each year in the projection, applying the same inflation rates, results in an increase (/decrease) in the impairment amount between EUR 10 and 20 million.

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 2.6 billion (year-end 2017: EUR 2.1 billion).

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

11 Intangible assets

Intangible assets consist mainly of Goodwill and software. The increase for the nine months of 2018 of EUR 67.0 million is primarily due to the capitalisation of software related to the SAP CLS (SAP Core Leasing System) and Digital initiatives.

12 Assets classified as held-for-sale

Assets held-for-sale include parts of the business expected to be sold within a year whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations. This category includes mainly operating lease that the Group entered into in the United States with the aim to sell onward to debt investors for an amount of EUR 38.0 million (year-end 2017: EUR 20.1 million).

13 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 September 2018	31 December 2017
Three months or less	4,460,423	4,136,364
Longer than three months, less than a year	1,605,691	1,304,401
Longer than a year, less than five years	526,732	561,642
Longer than five years	86	94
Total	6,592,932	6,002,501

Savings deposits raised by LeasePlan Bank amounts to EUR 6.5 billion (year-end 2017: EUR 5.9 billion) of which 40.7% (year-end 2017: 45.6%) 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.

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 September 2018	31 December 2017
Three months or less	0.32%	0.52%
Longer than three months, less than a year	0.70%	0.79%
Longer than a year, less than five years	1.20%	1.39%

The interest rate of the on demand accounts is set on a monthly basis.

14 Trade and other payables and deferred income

The majority of the trade and other payables and deferred income consist of trade payables, deferred leasing income, lease related accruals, other accruals and other deferred amounts owed.

15 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	Note	30 September 2018	31 December 2017
On demand	5	225,182	200,687
Three months or less		512,691	423,228
Longer than three months, less than a year		583,733	838,766
Longer than a year, less than five years		2,015,753	1,860,451
Total		**3,337,359**	**3,323,132**

On demand amounts owed to financial institutions relating to call money and bank overdraft balances form part of the cash and balances with banks in the cash flow statement. Borrowings from financial institutions include an outstanding balance of EUR 1.2 billion (year-end 2017: EUR 1.2 billion) which is non-euro currency denominated. The remainder of the borrowings from financial institutions is denominated in euro.

Borrowings from financial institutions mainly includes loans, collateral deposits received and bank overdrafts. The Group has an undrawn committed credit facility of EUR 1.5 billion with a maturity date in November 2022.

In addition to centrally arranged credit facilities at a Group level, the Group also has credit facilities in place at the level of some of its subsidiaries.

16 Debt securities issued

This item includes negotiable, interest bearing securities.

In thousands of euros	30 September 2018	31 December 2017
Bonds and notes - originated from securitisation transactions	1,962,405	1,507,832
Bonds and notes - other	8,146,636	7,800,858
Bonds and notes - fair value adjustment on hedged risk	26,000	29,136
Total	**10,135,041**	**9,337,826**

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 1.3% as of 30 September 2018 (year-end 2017: 1.4%).

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

In thousands of euros	30 September 2018	31 December 2017
Three months or less	220,543	237,847
Longer than three months, less than a year	2,092,340	1,917,979
Longer than a year, less than five years	7,489,857	6,841,878
Longer than five years	332,301	340,122
Total	**10,135,041**	**9,337,826**

The caption 'Bonds and notes – originated from securitisation transactions' include notes from Bumper 6 (the Netherlands), Bumper 7 (Germany), Bumper 8 (United Kingdom), Bumper 9 (the Netherlands), Bumper 10 (France) concluded in February 2018 and Bumper Australia concluded in April 2018.

17 Provisions

This item includes the damage risk retention provision, provision for post-employment benefits and other provisions. The majority of provisions are expected to be recovered or settled after more than 12 months. Included in provisions is an amount of EUR 1 million relating to the impairment of financial guarantees/loan commitments.

18 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 1.9 billion as at the balance sheet date (year-end 2017: EUR 2.0 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.

Furthermore, the Group has entered into commitments in connection with long-term rental and lease contracts of which the future aggregate minimum lease payments amount to EUR 199 million (year-end 2017: EUR 174 million).

For a number of clients, residual value guarantees have been given for a total of EUR 371 million (year-end 2017: EUR 364 million).

Credit facilities have been concluded with investments accounted for using the equity method amounting to EUR 160 million (year-end 2017: EUR 145 million) of which EUR 147 million (year-end 2017: EUR 141 million) is drawn as at 30 September.

19 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 consortium of investors and includes ADIA, ATP, Broad Street Investments, GIC, PGGM and TDR Capital. None of these investors have a(n 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.

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 September 2018 an amount of EUR 147 million (year-end 2017: EUR 141 million) is provided as loans to investments accounted for using the equity method.

20 Contingent assets and liabilities

As at 30 September 2018, guarantees had been provided on behalf of the consolidated subsidiaries in respect of commitments entered into by those companies with an equivalent value of EUR 1.6 billion (year-end 2017: EUR 1.4 billion). The Company charges a guarantee fee to the respective subsidiaries based on normal market terms.

21 Events occurring after balance sheet date

No material events occurred after 30 September 2018, that require disclosure in accordance with IFRS, nor events affecting the financial position of the Group as at 30 September 2018 or the result for the nine months period ended 30 September 2018.

Responsibility statement

Managing Board 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 his knowledge:

The Company's 30 September 2018 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, 13 November 2018.

Tex Gunning - Chairman of the Managing Board and CEO
Yolanda Paulissen - CSFIRO
Franca Vossen - CRO

KPMG

Review report

To: the Managing Board of LeasePlan Corporation N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements as at and for the periods ended 30 September 2018 of LeasePlan Corporation N.V., Amsterdam, as set out on pages 5 to 41.

The condensed consolidated interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 September 2018;
- the condensed consolidated statements of profit or loss and comprehensive income for the three-months and nine-months periods then ended;
- the condensed consolidated statements of changes in equity and cash flows for the nine-months period then ended; and
- the notes.

The Managing Board of the Company is responsible for the preparation and presentation of these condensed consolidated 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 these 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 auditing standards 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 condensed consolidated interim financial statements as at and for the periods ended 30 September 2018 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Emphasis of matter

We draw attention to note 10 of the condensed consolidated interim financial statements, which describes management's approach to determine the amount of the impairment of the operating lease portfolio in Turkey and the key parameters and assumptions to which the impairment is most sensitive. Our conclusion is not qualified in respect of this matter.

Amstelveen, 13 November 2018

KPMG Accountants N.V.

D. Korf RA