LeasePlan announces Q3 2020 results

AMSTERDAM, the Netherlands, 11 November 2020 – LeasePlan Corporation N.V. ("LeasePlan"; the "Company"), one of the world's leading Car-as-a-Service ("CaaS") companies and a leading pan-European used-car market place, today reports its Q3 results.

Q3 2020 financial highlights

- Net result of EUR 101 million
- Underlying net result of EUR 110 million including further strategic investments in CarNext.com, underscoring the resilience of LeasePlan's business model
- Car-as-a-Service:
    - Underlying Lease and Additional Services gross profit down by 16% to EUR 315 million, impacted by COVID-19 reducing rebates & bonuses due to lower business activity and increasing provisions for expected credit losses
    - PLDV and End of Contract Fees Gross Profit up to EUR 44 million driven by a recovery in used-car pricing to pre-COVID levels
    - Operating expenses flat due to continued tight cost control despite continued investments in long-term strategic initiatives
    - CaaS underlying net result of EUR 128 million, which while down 16.8% year-on-year due to the on-going impacts of COVID-19, was 18.5% higher than Q2 underlying net result of EUR 108 million due to a strong recovery in used-car prices
- CarNext.com:
    - B2C retail sales up 1.9% to 10,800 vehicles
    - Underlying net result of EUR –18 million, after EUR 6 million further strategic investments to accelerate future growth
- Quarter-end liquidity buffer of EUR 8.7 billion

Key numbers[1]

	Q3 2020	Q3 2019	% YoY Growth	9M 2020	9M 2019	% YoY Growth
VOLUME						
Serviced fleet (thousands), as at 30 September				1,848.0	1,859.0	–0.6%
Numbers of vehicles sold (thousands)	69.1	69.4	–0.3%	201.7	211.0	–4.4%
PROFITABILITY						
Underlying net result (EUR Million)	110.2	139.9	–21.2%	317.1	430.6	–26.4%
- Car-as-a-Service	128.2	154.2	–16.8%	374.3	465.9	–19.7%
- CarNext.com	–18.0	–14.3	–26.4%	–57.2	–35.3	–62.0%
Net result (EUR Million)	101.0	124.0	–18.5%	207.6	287.8	–27.9%
Underlying return on equity[2]				11.4%	15.2%	

[1] Due to rounding, numbers throughout this release might not add up precisely to the totals provided. Percentages are calculated based on un-rounded numbers.
[2] RoE is based on equity excluding the additional Tier 1 instrument. Including the AT1, RoE is 10.9% for Q3 2020 and 14.8% for Q3 2019

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

"Despite unprecedented circumstances, LeasePlan once again delivered a solid performance across both of our businesses this quarter – a testament to the strength and resilience of our business model, the high-quality nature of our customer base and the stability of our income streams, and the dedication and expertise of LeasePlan employees around the world.

Our Car-as-a-Service business delivered a robust result, and we were able to deliver on rebounding customer demand and grow our fleet compared to Q2 2020. In particular, we saw strong demand from online retailers for delivery vehicles as a result of the boom in online shopping. Requests for payment relief remained stable throughout the quarter, again thanks to our reliable and high-quality customer base.

CarNext.com, our digital used-car marketplace, performed well with B2C retail sales up 1.9% and revenues up 17% year-on-year, driven by strong demand for safe, personal mobility and supported by CarNext.com's new range of online e-commerce services, including virtual car appointments, home delivery and a 'Click & Collect' service. We also continued to see a strong recovery in used-car pricing, which has now reached pre-COVID levels.

LeasePlan continued to lead the sustainability agenda in our industry, including through the launch of our 'Global Charge Up Now Initiative', designed to give a clear and direct message to national and local policymakers about the urgent need for a universal, affordable and sustainable EV charging infrastructure to support increasing demand for EVs. Today, LeasePlan has more zero emission vehicles in our fleet than ever before, with EVs and plug-in hybrids representing 16.2%[3] of all new orders in Q3, up significantly from 8.2% in Q3 2019.

Overall, LeasePlan has finished the quarter in strong shape and in line with the plan and expectations we set out at the beginning of the crisis. Going forward, despite the onset of a new wave of restrictions in many markets, we remain confident in our ability to withstand further market disruption due to the fundamentals of our business and the ownership to subscription megatrend that is driving the structural growth of our industry. This trend is only being accelerated by increased demand for safe, private transportation, as well as the growth in online shopping which is leading to high demand for LCV fleets."

COVID-19 update

The resilience and predictability of LeasePlan's business model was once again evidenced during these exceptional times as the business successfully navigated the challenges posed by COVID-19 and worked to minimise the impact on our business, our customers and our employees. As a result of the plan we set out in March and the subsequent actions our experienced management team has taken, LeasePlan is well positioned to continue to navigate the challenges ahead, supported by our strong liquidity buffer of EUR 8.7 billion.

- **Core leasing business** – In April and May, the continuing disruption to the OEM supply chain led to a postponement in new vehicle procurement, slowing down our serviced fleet growth and reducing rebates & bonuses on new vehicle purchases. From June, we saw a recovery in new vehicle deliveries as dealers and factories opened-up. Going forward, we expect long-term growth in our core segments, especially SME/Private, to remain strong as customers continue to opt for safe personal vehicle subscriptions over other mobility options. After reduced demand for leasing in Q2 2020, Q3 experienced a rebound in order activations and showed a service fleet growth of +0.4% (vs Q2 2020). Overall, we expect a close to zero % growth of our serviced for year-end 2020 (vs Q4 2019).
- **Customer credit portfolio** – LeasePlan received customer requests for payment relief measures since the beginning of the pandemic which were assessed and granted on a case by case basis. To date most customers are on track with their adjusted payment schedule with only 8% considered in default by the end of Q3. The impact of this, added with the impact of the updated IFRS 9 estimated-credit-loss calculations and any other customer defaults led to an increase of the provision for expected credit losses for Lease receivables from clients by EUR 19 million in the quarter (vs Q3 2019) with YTD to EUR 63 million (vs 9M 2019: EUR 22 million). Our updated assessment on the allowance for expected credit losses as of 30 September 2020 and related sensitivities is included in note 8 of the interim financial statements.
- **Used-car market** – The pandemic caused high levels of disruption to the functioning of used-car markets across Europe from March to May, as many markets were effectively shut and others experienced abruptly reduced levels of demand and dislocations to used-car prices. From June, we have seen the used-car market recover faster than expected to pre-COVID levels as B2B and B2C business activities resumed. The valuation allowance for used-car inventory and impairment on lease contracts booked earlier was reduced by EUR 14 million in Q3 2020 (of which EUR 12 million utilised and EUR 2 million reversed). Our updated assessment of the development of used-car prices underlying the valuation of cars in stock and impairments on operating leases assets as of 30 September 2020 and related sensitivities are included in note 7 and note 9 of the interim financial statements.

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

Group performance

In millions of euros, unless otherwise stated	Q3 2020	Q3 2019	% YoY Growth	9M 2020	9M 2019	% YoY Growth
Lease & Additional Services income	1,632.2	1,711.0	−4.6%	5,035.5	5,076.7	−0.8%
Vehicle Sales and End of contract fees	853.5	821.3	3.9%	2,390.7	2,484.3	−3.8%
Revenues	**2,485.7**	**2,532.3**	**−1.8%**	**7,426.2**	**7,560.9**	**−1.8%**
Underlying cost of revenues	**2,118.4**	**2,137.3**	**−0.9%**	**6,341.2**	**6,351.2**	**−0.2%**
Lease Services	128.2	153.6	−16.5%	411.2	464.7	−11.5%
Fleet Management & other Services	44.8	74.2	−39.7%	160.7	217.6	−26.2%
Repair & Maintenance Services	67.7	75.2	−10.0%	212.2	247.5	−14.2%
Damage Services and Insurance	74.1	72.2	2.6%	250.6	217.5	15.2%
Underlying Lease and Additional Services	**314.8**	**375.2**	**−16.1%**	**1,034.8**	**1,147.3**	**−9.8%**
End of contract fees	33.2	36.4	−8.7%	102.1	104.7	−2.5%
Profit/Loss on disposal of vehicles	19.3	−16.6	−216.5%	−51.8	−42.3	22.6%
Profit/Loss on disposal of vehicles and End of contract fees	**52.5**	**19.8**	**165.4%**	**50.2**	**62.4**	**−19.5%**
Underlying gross profit	**367.3**	**395.0**	**−7.0%**	**1,085.0**	**1,209.7**	**−10.3%**
Underlying operating expenses	235.1	229.3	2.6%	708.8	693.8	2.2%
Other income	0.1	−	100%	0.1	−	100%
Share of profit of investments accounted for using the equity method	0.8	1.2		2.6	3.4	
Underlying profit before tax	**133.0**	**167.0**	**−20.3%**	**378.9**	**519.4**	**−27.1%**
Underlying tax	22.8	27.1	−15.7%	61.8	88.8	−30.4%
Underlying net result	**110.2**	**139.9**	**−21.2%**	**317.1**	**430.6**	**−26.4%**
Underlying adjustments	−9.2	−15.9		−109.5	−142.8	
Reported net result	**101.0**	**124.0**	**−18.5%**	**207.6**	**287.8**	**−27.9%**
Staff (FTE's at period end)				8,311	7,866	5.6%

Financial Performance Q3

Revenues decreased by 1.8% to EUR 2,486 million. **Lease and Additional Services income** was down by 4.6% to EUR 1,632 million due to lower business activity and some FX impact. **Vehicle Sales and End of contract fees** were up 3.9% to EUR 853 million, driven by higher B2C retail sales and a recovery of used-car pricing to pre-COVID levels.

Underlying Lease and Additional Services gross profit was down 16.1% to EUR 315 million, mainly driven by lower rebates & bonuses across all gross profit lines due to lower business activity and a EUR 19 million addition to the provision for expected credit losses impacted by COVID-19. **PLDV and EOCF gross profit** was up to EUR 52 million[4], while the used-car market recovered to pre-COVID levels increasing used-car proceeds.

Underlying operating expenses were up 2.6% to EUR 235 million including continued investments in long-term strategic initiatives and CarNext.com. In scaling-up CarNext.com, we increased operating expenses for the business by EUR 6 million in the quarter, mainly in our data-driven platform and our leading technology infrastructure, taking total CarNext.com operating expenses to EUR 33 million.

The underlying tax rate was up 0.9 percentage points to 17.2%.

[4] The valuation allowance for used-car inventory and impairment on lease contracts booked earlier was reduced by EUR 14 million in Q3 2020 (of which EUR 12 million utilised and EUR 2 million reversed)

Underlying net result was down 21.2% to EUR 110 million due to COVID-19-related reduced gross profit margin and higher operating expenses for CarNext.com, partially offset by higher PLDV & EOCF gross profit.

Reported net result was down 18.5% to EUR 101 million.

Segment reporting CaaS and CarNext.com

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

Financial Performance Car-as-a-Service

In thousands	Q3 2020	Q3 2019	% YoY Growth	9M 2020	9M 2019	% YoY Growth
Serviced fleet, as at 30 September				1,848.0	1,859.0	−0.6%
Numbers of vehicles sold, as at 30 September	69.1	69.4	−0.3%	201.7	211.0	−4.4%
of which through CarNext.com	59.9	63.2	−5.2%	177.3	189.3	−6.3%

in millions of euros	Q3 2020	Q3 2019	% YoY Growth	9M 2020	9M 2019	% YoY Growth
Lease and Additional Services income	1,632.3	1,711.0	−4.6%	5,035.7	5,076.7	−0.8%
Vehicle sales and End of contract fees	847.2	819.3	3.4%	2,379.3	2,479.1	−4.0%
Revenues	**2,479.5**	**2,530.3**	**−2.0%**	**7,415.0**	**7,555.8**	**−1.9%**
Underlying cost of revenues	**2,120.9**	**2,143.2**	**−1.0%**	**6,357.5**	**6,372.0**	**−0.2%**
Underlying Lease and Additional Services gross profit	314.7	374.4	−15.9%	1,033.8	1,144.2	−9.7%
Profit/Loss on disposal of vehicles and End of contract fees gross profit	43.9	12.7	247.1%	23.7	39.6	−40.1%
Underlying gross profit	**358.7**	**387.1**	**−7.3%**	**1,057.5**	**1,183.8**	**−10.7%**
Underlying operating expenses	201.9	202.2	−0.1%	604.6	620.5	−2.6%
Other income	0.1	−	100%	0.1	−	100%
Share of profit in equity accounted investments	0.8	1.2	−35.6%	2.6	3.4	−23.4%
Underlying profit before tax	**157.6**	**186.2**	**−15.3%**	**455.6**	**566.7**	**−19.6%**
Underlying tax	29.4	32.0	−8.0%	81.3	100.8	−19.3%
Underlying net result	**128.2**	**154.2**	**−16.8%**	**374.3**	**465.9**	**−19.7%**

Serviced fleet was relatively stable at 1.85 million vehicles despite lower fleet orders related to COVID-19 in core European markets and RoW compared to Q3 2019.

Revenues decreased by 2.0% to EUR 2,480 million. **Lease and Additional Services income** was down by 4.6% to EUR 1,632 million due to lower business activity and some FX impact. **Vehicle Sales and End of contract fees** were up 3.4% to EUR 847 million, driven by the recovery of used-car prices to pre-COVID levels and stable vehicle sales.

Underlying Lease and Additional Services Gross Profit was down 15.9% to EUR 315 million, mainly driven by lower rebates & bonuses across all gross profit lines due to lower business activity and a EUR 19 million addition to the provision for expected credit losses impacted by COVID-19. **PLDV and EOCF gross profit** was up to EUR 44 million[5] while the used-car market recovered to pre-COVID levels increasing used-car proceeds.

[5] The valuation allowance for used-car inventory and impairment on lease contracts booked earlier was reduced by EUR 14 million in Q3 2020 (of which EUR 12 million utilised and EUR 2 million reversed)

Underlying operating expenses were again tightly controlled and remained stable at EUR 202 million despite continued investments in long-term strategic initiatives.

The underlying tax rate was up 1.5 percentage points to 18.7%.

Underlying net result was down 16.8% to EUR 128 million driven by COVID-19-related reduced gross profit margin partially offset by higher PLDV & EOCF gross profit.

Operational Highlights Car-as-a-Service

LeasePlan's Car-as-a-Service business delivered a solid performance in Q3, thanks to the high-quality nature of our customer base and the stability of our income streams. Requests for payment relief remained stable, and our total serviced fleet grew by 0.4% compared to the previous quarter to 1.85 million vehicles. LeasePlan also continued its digital transformation, expanding availability of the My Fleet reporting tool for fleet managers to 17 countries, and rolling out the fully online SME Digital Showroom in an additional 3 markets (now available in 11 countries). On the sustainability front, new orders for electric vehicles and plug-in hybrids also increased to 16.2%[6] (Q3 2019: 8.2%), underlying the strength of our strategy to achieve zero tailpipe emissions from our funded fleet by 2030. LeasePlan's sustainability leadership position was further underscored by publication of the annual Car Cost Index, which has become a global benchmark amongst customers and journalists regarding total cost of ownership development for EVs. This year, the Index found that EVs are now cost competitive in the majority of European countries, particularly in the mid-size segment, which is popular among corporate clients. New LCV registrations also significantly outperformed the market in the quarter, demonstrating our competency in managing large fleets of LCVs and in meeting surging client demand for sustainable 'last-mile' delivery solutions. In particular, we saw strong demand for the new range of electric delivery vehicles coming onto the market as customers balance booming demand for online shopping with their climate change responsibilities.

Financial Performance CarNext.com

Sales volume

In thousands	Q3 2020	Q3 2019	% YoY Growth	9M 2020	9M 2019	% YoY Growth
- B2B sales	49.1	52.6	−6.7%	147.1	161.0	−8.6%
- B2C sales	10.8	10.6	1.9%	30.2	28.3	6.7%
Total	**59.9**	**63.2**	**−5.2%**	**177.3**	**189.3**	**−6.3%**

in millions of euros	Q3 2020	Q3 2019	% YoY Growth	9M 2020	9M 2019	% YoY Growth
Revenues	**37.5**	**32.0**	**17.0%**	**101.8**	**89.3**	**14.0%**
Underlying cost of revenues	**28.8**	**24.1**	**19.6%**	**74.1**	**63.4**	**16.9%**
Underlying gross profit	**8.7**	**8.0**	**9.3%**	**27.7**	**25.9**	**6.7%**
Underlying operating expenses	33.3	27.1	22.9%	104.4	73.2	42.5%
Underlying profit before tax	**−24.6**	**−19.2**	**−28.5%**	**−76.7**	**−47.3**	**−62.1%**
Underlying tax	−6.6	−4.9	34.5%	−19.5	−12.0	62.5%
Underlying net result	**−18.0**	**−14.3**	**−26.4%**	**−57.2**	**−35.3**	**−62.0%**
Total allocated assets				235.4	152.9	54.0%
Total allocated liabilities				160.2	111.3	43.9%

B2C retail volumes were up 1.9% to approximately 10,800 vehicles despite COVID-19 related reduced business activity and an increased number of lease extensions in the Car-as-a Service business which reduced the total number of vehicles sold through CarNext.com platform in the quarter.

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

Revenue was up 17.0% to EUR 38 million, driven by higher B2C retail volumes and higher third-party revenues despite COVID-19. **Gross profit** was up 9.3% to EUR 9 million mainly due to higher B2C volumes.

Underlying operating expenses totalled EUR 33 million, up by EUR 6 million as CarNext.com continued to invest in its data-driven platform and leading technology infrastructure.

The underlying tax rate was up 1.3 percentage points to 26.8% driven by a blend of statutory rates in which CarNext.com operates.

Underlying net result was down to EUR –18 million, driven by increased strategic investments.

Operational highlights CarNext.com

CarNext.com delivered a solid performance in Q3, with B2C retail sales volumes up 1.9% year-on-year to 10,800 vehicles and revenues up 17%. Online sales were supported by a new range of online e-commerce services, including virtual car appointments, home delivery and a 'Click & Collect' service. In addition, CarNext.com continued to demonstrate strong customer satisfaction with an average NPS of 63, supported by a new 'Customer 360' initiative to improve and refine the online customer experience. The CarNext.com B2B channel also showed strong performance with daily auctions on its online platform and new trader app, with cross border volumes now reaching pre-COVID levels. Following a thorough review into UK used-car market dynamics, CarNext.com has taken the decision to cease selling vehicles to retail customers in the UK and has closed its UK store. LeasePlan is currently in discussions with its long-term UK remarketing partners, BCA and cinch, to handle retail sales in the UK. This decision does not affect CarNext.com's strategy to achieve accelerated growth in continental Europe.

Funding and Capital Position

A strategic decision taken in March to pre-fund 2020's requirements and at the same time demonstrate the depth and breadth of the company's access across all funding platforms delivered a liquidity buffer of EUR 8.55 billion at the end of Q2 2020. As a result funding activity in Q3 was deliberately muted with no activity undertaken on either the senior unsecured or ABS platforms. LeasePlan's Retail Bank contributed EUR 372 million over the quarter resulting in a further strengthening of the liquidity buffer at record levels of EUR 8.74 billion. This buffer consists of cash balances as well as access to the company's undrawn EUR 1.5 billion committed revolving credit facility.

The CET1 ratio as per 30 September 2020 is 17.2%[7] calculated at the regulatory sub-consolidated level (LeasePlan Corporation N.V. consolidated). At this sub-consolidated level, the Total Capital ratio is 19.8% which is equal to the Tier 1 capital ratio[8].

On 21 September 2020 Fitch affirmed LeasePlan Corporation N.V.'s Long Term Issuer Default Rating (IDR) at "BBB+; Outlook Negative. LeasePlan's Short Term IDR was also affirmed at "F2".

[7] CET1 ratio assumes no divided accrual.

[8] CET1 ratio at the regulatory Consolidated level (LP Group BV consolidated) is 17.1% and CET1 ratio at the regulatory Solo level (LeasePlan Corporation N.V.) is 15.3% as of 30 September 2020. The CET1 ratio at the regulatory Solo level is excluding the half year 2020 interim result.

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About LeasePlan

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

Condensed consolidated interim financial statements

Condensed consolidated statement of profit or loss

For the period ended 30 September

In thousands of euros	Note	Q3 2020	Q3 2019	9M 2020	9M 2019
Operating lease income		1,019,939	1,040,108	3,111,443	3,088,466
Finance lease and Other interest income		29,495	30,156	88,349	102,405
Additional services income		582,761	640,716	1,835,705	1,885,795
Vehicle sales and End of contract fees		853,467	821,297	2,390,684	2,484,265
Revenues	2	**2,485,662**	**2,532,277**	**7,426,181**	**7,560,930**
Depreciation cars		812,109	821,091	2,520,605	2,457,113
Finance cost		84,313	89,794	254,941	256,837
Unrealised (gains)/losses on financial instruments		−12,984	7,117	−4,463	35,541
Impairment charges on loans and receivables		24,958	6,221	62,581	21,862
Lease cost		908,396	924,223	2,833,665	2,771,353
Additional services cost		412,584	419,099	1,244,230	1,203,191
Vehicle and Disposal cost		799,028	801,516	2,375,143	2,421,875
Direct cost of revenues	2	**2,120,009**	**2,144,837**	**6,453,038**	**6,396,419**
Lease services		141,038	146,042	366,128	419,518
Additional services		170,177	221,618	591,475	682,604
Profit/Loss on disposal of vehicles and End of contract fees		54,438	19,781	15,541	62,390
Gross profit	2	**365,653**	**387,440**	**973,143**	**1,164,511**
Staff expenses		142,633	152,513	433,768	448,060
Other operating expenses		74,985	66,976	228,301	226,619
Other depreciation and amortisation	3	28,169	22,569	79,542	157,482
Total operating expenses		**245,787**	**242,058**	**741,611**	**832,161**
Share of profit of investments accounted for using the equity method		803	1,247	2,640	3,447
Other income		92	–	92	–
Profit before tax		**120,761**	**146,630**	**234,264**	**335,798**
Income tax expenses		19,726	22,633	26,677	48,023
Net result for the period		**101,036**	**123,997**	**207,587**	**287,775**
Attributable to:					
Equity holders of parent		91,826	114,778	180,131	275,249
Holders of AT1 capital securities		9,220	9,219	27,624	12,525
Non-controlling interest		−10	–	−167	–

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

Condensed consolidated statement of comprehensive income

For the period ended 30 September

In thousands of euros	Q3 2020	Q3 2019	9M 2020	9M 2019
Net result	101,036	123,997	207,587	287,775
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Changes in cash flow hedges, before tax	1,029	811	2,410	−2,325
Income tax on cash flow hedges	−135	−203	−586	581
Subtotal changes in cash flow hedges, net of income tax	**894**	**608**	**1,824**	**−1,744**
Exchange rate differences	−35,244	5,354	−114,419	11,737
Other comprehensive income, net of income tax	**−34,350**	**5,962**	**−112,595**	**9,993**
Total comprehensive income for the year	**66,686**	**129,959**	**94,992**	**297,768**
Comprehensive income attributable to:				
Owners of the parent	57,476	120,740	67,536	285,243
Holders of AT1 capital securities	9,220	9,219	27,624	12,525
Non-controlling interest	−10	–	−167	–

Condensed consolidated statement of financial position

In thousands of euros	Note	**30 September 2020**	**31 December 2019**
Assets			
Cash and balances at central banks	4	6,673,351	4,828,356
Investments in debt securities		24,746	24,663
Receivables from financial institutions	5	772,854	638,579
Derivative financial instruments	6	197,675	102,636
Other receivables and prepayments		940,400	1,242,624
Inventories	7	462,344	644,721
Corporate income tax receivable		50,174	70,796
Loans to equity accounted investments		168,000	163,500
Lease receivables from clients	8	3,218,931	3,388,054
Property and equipment under operating lease and rental fleet	9	18,526,614	19,340,074
Other property and equipment	10	398,890	392,935
Equity accounted investments		20,654	18,778
Intangible assets		247,932	203,387
Deferred tax asset		261,836	229,150
Total assets		**31,964,401**	**31,288,252**

Condensed consolidated statement of financial position - *continued*

In thousands of euros	Note	30 September 2020	31 December 2019
Liabilities			
Funds entrusted	11	9,308,886	7,763,597
Derivative financial instruments	6	146,984	136,770
Trade and other payables and Deferred income		2,418,829	2,437,634
Corporate income tax payable		64,946	65,377
Borrowings from financial institutions	12	3,527,112	4,078,817
Lease liabilities	10	309,378	296,289
Debt securities issued	13	11,163,134	11,582,171
Provisions		548,157	522,335
Deferred tax liabilities		339,573	344,623
Total liabilities		**27,827,000**	**27,227,613**
Equity			
Share capital		71,586	71,586
Share premium		506,398	506,398
Other reserves		−155,720	−43,125
Retained earnings		3,207,993	3,027,862
Equity of owners of the parent		**3,630,256**	**3,562,720**
AT1 capital securities		507,102	497,919
Non-controlling interest		43	–
Total equity		**4,137,401**	**4,060,639**
Total equity and liabilities		**31,964,401**	**31,288,252**

Condensed consolidated statement of changes in equity

In thousands of euros	Share capital	Share premium	Other reserves	Retained earnings	Equity of owners of the parent	AT1 capital securities	Non-controlling interest	Total equity
Balance as at 1 January 2019	**71,586**	**506,398**	**–67,761**	**2,811,834**	**3,322,058**	**–**	**–**	**3,322,058**
Net result	–	–	–	287,775	287,775	–	–	287,775
Transfer - accrued interest on AT1 capital securities	–	–	–	–12,525	–12,525	12,525	–	–
Other comprehensive income	–	–	9,993	–	9,993	–	–	9,993
Total comprehensive income	**–**	**–**	**9,993**	**275,249**	**285,243**	**12,525**	**–**	**297,768**
Interim dividend relating to 2019 accrued	–	–	–	–96,300	–96,300	–	–	–96,300
Proceeds AT1 capital securities	–	–	–	–	–	500,000	–	500,000
Issuance costs AT1 capital securities	–	–	–	–	–	–5,425	–	–5,425
Balance as at 30 September 2019	**71,586**	**506,398**	**–57,767**	**2,990,784**	**3,511,001**	**507,101**	**–**	**4,018,101**
Balance as at 1 January 2020	**71,586**	**506,398**	**–43,125**	**3,027,862**	**3,562,720**	**497,919**	**–**	**4,060,639**
Net result	–	–	–	207,755	207,755	–	–167	207,587
Transfer - accrued interest on AT1 capital securities	–	–	–	–27,624	–27,624	27,624	–	–
Other comprehensive income	–	–	–112,595	–	–112,595	–	–	–112,595
Total comprehensive income	**–**	**–**	**–112,595**	**180,131**	**67,536**	**27,624**	**–167**	**94,992**
Incorporation of subsidiary with NCI	–	–	–	–	–	–	210	210
Interest coupon paid on AT1	–	–	–	–	–	–18,440	–	–18,440
Balance as at 30 September 2020	**71,586**	**506,398**	**–155,720**	**3,207,993**	**3,630,256**	**507,102**	**43**	**4,137,401**

In May 2019 LeasePlan Corporation N.V. (fully owned by LP Group B.V.) issued EUR 500 million in capital securities, including transaction costs in the amount of EUR 5 million. The capital securities qualify as Additional Tier 1 capital (AT1) and are undated, deeply subordinated, resettable and callable. There is a fixed interest coupon of 7.375 % per annum, payable semi-annually starting from November 2019. Interest is non-cumulative and fully at the discretion of LeasePlan Corporation N.V.
Accrued interest in 2020 on AT1 capital securities amounts to EUR 27.6 million. In May 2020 an amount of EUR 18.4 million was paid related to the six months period November 2019 - May 2020, including EUR 3.3 million accrued in 2019. The remaining part of EUR 9.2 million is payable in November 2020, therefore as at the reporting date this amount does not yet represent a liability.

In Q2 2020 LeasePlan and Faraday Keys Holding B.V. ('FK') incorporated PowerD B.V., in line with our strategy to achieve zero emissions from total fleet by 2030. The share distribution is 72.8% and 27.2% respectively and the investment in equity is EUR 0.6 million. Minority shares of FK are shown under Non-controlling interests.

Condensed consolidated statement of cash flows

For the period ended 30 September

In thousands of euros	Note	2020	2019
Operating activities			
Net result		**207,587**	**287,775**
Adjustments			
Interest income and expense *		166,592	154,432
Impairment charges on receivables		62,581	21,862
Valuation allowance on inventory		297	–6,678
Depreciation and impairment operating lease portfolio and rental fleet	9	2,609,670	2,536,507
Insurance expense		251,825	285,608
Depreciation other property plant and equipment		53,020	50,278
Amortisation and impairment on intangibles		26,522	107,204
Share of profit in equity accounted investments		–2,640	–3,447
Financial instruments at fair value through profit and loss		–4,463	35,541
Income tax expense		26,677	48,023
Changes in			
Provisions		–224,189	–271,325
Derivative financial instruments		–15,851	37,113
Trade and other payables and other receivables		531,912	–5,191
Inventories *		301,580	365,716
Amounts received disposing objects under operating lease	9	1,811,658	1,822,613
Amounts paid acquiring objects under operating lease	9	–4,293,959	–5,521,569
Acquired new finance leases		–831,682	–1,110,555
Repayment finance leases		869,399	1,039,100
Income taxes received		26,897	24,788
Income taxes paid		–59,610	–89,215
Interest received *		89,866	102,372
Interest paid		–258,312	–261,508
Net cash inflow/(outflow) from operating activities *		**1,345,379**	**–350,556**

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

Condensed consolidated statement of cash flows – *continued*

For the period ended 30 September

In thousands of euros	Note	**2020**	**2019**
Investing activities			
Net investment in debt securities		–83	–17
Acquisition of business net of cash acquired		–	–11,954
Loans to equity accounted investments		–70,000	–59,000
Redemption on loans to equity accounted investments		65,500	49,300
Dividend received from ass. and jointly controlled entities		–	1,819
Changes in held-for-sale investments *		–	776
Proceeds from sale of other property and equipment		16,023	27,740
Acquisition of other property and equipment		–33,954	–90,480
Acquisition of intangibles assets		–72,032	–35,919
Net cash outflow from investing activities *		**–94,547**	**–117,734**
Financing activities			
Receipt from receivables from financial institutions		695,525	454,856
Balances deposited to financial institutions		–655,018	–482,096
Receipt of borrowings from financial institutions		3,150,598	5,404,563
Repayment of borrowings from financial institutions		–3,486,380	–5,238,734
Receipt of funds entrusted		2,097,654	2,795,265
Repayment of funds entrusted		–552,372	–1,343,736
Receipt of debt securities		1,779,393	2,608,729
Repayment of debt securities		–2,094,388	–2,045,522
Payment of lease liabilities		–34,000	–29,180
Receipt AT1 Capital securities		–	494,575
Interest paid AT1 capital securities		–18,440	–
Net cash inflow from financing activities		**882,572**	**2,618,720**
Cash and balances with banks as at 1 January		**5,093,290**	**3,351,570**
Net movement in cash and balances with banks		2,133,404	2,150,430
Exchange gains/(losses) on cash and balances at banks		–2,281	–462
Cash and balances with banks as at 30 September	4	**7,224,414**	**5,501,538**

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

General notes

General information

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

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

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

Ownership of the Company

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

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

Basis of preparation

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

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

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

Accounting policies

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

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

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

Payment deferral due to COVID-19 pandemic

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

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

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

Interest Rate Benchmark Reform

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

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

The Group is in the process of the transition from the IBOR-based instruments to alternative reference rate’s (ARR) instruments, which will be finalised at the end of 2021. An implementation team is set up sponsored by the CFO and is led by senior representatives from

functions amongst the Group including Strategic Finance, Legal, Finance, Risk and Operations. The implementation team performs periodic updates to the Managing Board.
The Group monitors further developments in these rates and determines the implications to the Group considering the impact on amongst others financial instruments, issued notes and the lease portfolio.

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

For the nominal amount of the hedging instruments and the fair value of derivatives please refer to the Derivative financial instruments note. As of and for the period ended 30 September 2020 these amendments had no impact on the consolidated financial statements.

On 27 August 2020 the International Accounting Standards Board (IASB) published 'Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. These changes are not expected to have a significant impact on shareholders' equity or comprehensive income of the Group. This standard has not been EU endorsed.

Other changes

The following other changes that became effective in 2020 do not have any significant impact on shareholders' equity or comprehensive income or are not relevant to the condensed consolidated financial statements of the Group. Those changes relate to the following standards.

Standards endorsed by the EU and effective as per 1 January 2020:
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018).
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Definition of Material (issued on 31 October 2018).
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018).
- Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (issued on 28 May 2020).

New and amended relevant accounting standards effective after 1 January 2021

IFRS 17 – 'Insurance contracts'

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

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

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

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

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

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

Other changes

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

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

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

Use of judgements and estimates

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

Seasonality and cyclicality

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

Financial risk management

All amounts are in thousands of euros, unless stated otherwise

Recent developments (COVID-19)

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

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

To mitigate risks, LeasePlan took various actions in Q2 minimising cash expenditures and maximising the use of existing assets through vehicle extensions, reducing used vehicles inventory, delaying certain non-critical investment and expenditure minimising working capital and foregoing a portion of 2019 dividend pay-out. In Q3 we continued investments in long-term strategic initiatives and experienced a rebound in demand for new vehicles. At the same time, LeasePlan maintained a EUR 8.7 billion liquidity buffer in Q3 2020 and is therefore well positioned to continue to navigate the challenges ahead.

- **Core leasing business** – In April and May, the continuing disruption to the OEM supply chain led to a postponement in new vehicle procurement, slowing down our serviced fleet growth and reducing rebates & bonuses on new vehicle purchases. From June, we saw a recovery in new vehicle deliveries as dealers and factories opened-up. Going forward, we expect long-term growth in our core segments, especially SME/Private, to remain strong as customers continue to opt for safe personal vehicle subscriptions over other mobility options. After reduced demand for leasing in Q2 2020, Q3 experienced a rebound in order activations and showed a service fleet growth of +0.4% (vs Q2 2020). Overall, we expect a close to zero % growth of our serviced for year-end 2020 (vs Q4 2019).
- **Customer credit portfolio** – LeasePlan received customer requests for payment relief measures, for both finance and operating lease contracts, which mainly were assessed and granted on a case-by-case basis. To date most customers are on track with their adjusted payment schedule. Since 1 January 2020 the provision for expected credit losses for Lease receivables from clients increased to EUR 63 million (of which in Q3: EUR 25 million). This increase is attributable to non-credit impaired lease receivables of EUR 7 million and credit impaired lease receivables of EUR 28 million compared to 31 December 2019. Information about our updated assessment of forward looking scenario's as at 30 September 2020, including critical assumptions, parameters and related sensitivities are disclosed in note 8 Lease receivables from clients.
- **Used-car market** – The pandemic caused high levels of disruption to the functioning of used-car markets from March to May, as many markets were effectively shut and others experienced abruptly reduced levels of demand and dislocations to used-car prices. From June, we have seen the used-car market recovering faster than expected to pre-COVID levels as B2B and B2C business activities resumed. The valuation allowance for cars on stock (inventory) and impairment on operating lease assets booked earlier was reduced by EUR 14 million in Q3 2020 (of which EUR 12 million utilised and EUR 2 million reversed). The updated assessment on forward looking scenario's we have adopted as of 30 September 2020 to determine the valuation of cars on stock and the valuation of operating lease assets and related impairments, are disclosed in note 7 Inventories and note 9 Property and equipment under operating lease and rental fleet.

Risks and uncertainties

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

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

A. Asset risk

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

The effects of the vehicle's characteristics on the resale value of the vehicle are managed by correctly pricing the vehicle at vehicle inception. The effects of the used-car market on the resale value of the vehicle cannot fully be managed by LeasePlan. The state of the used-car market is influenced by factors that reside outside LeasePlan's sphere of control and is therefore considered to be part of the inherent market risk of the used-car market. The effects of the used-car market can partially be mitigated by the adoption of an omni channel approach, which allows further optimisation of the revenues generated from the sale of second-hand cars. The exposure to residual values as at the end of September 2020 amounted to EUR 13.3 billion (year-end 2019: EUR 13.5 billion).

B. Liquidity risk

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

Liquidity risk is managed by pursuing a diversified funding strategy, seeking to conclude funding that matches the estimated run-off profile of the leased assets and maintaining an adequate liquidity buffer. The matched funding principle is applied both at a consolidated group and at subsidiary level considering 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 Group maintains a number of stress scenarios addressing idiosyncratic and market wide risk drivers in both specific and combined scenarios. The overall regulatory liquidity buffer is intended to be sufficient to ensure that under management assumption-based stress at least 9 months can be survived and under regulatory assumption based stress at least 6 months can be survived.

C. Credit risk

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

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

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

D. Operational risk

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

Specific notes

All amounts are in thousands of euros, unless stated otherwise

1 Segment information

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

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

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

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

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

	Europe		**Rest of the world**		**Total**	
In millions of euros	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**
Serviced fleet (in thousands) at period end	**1,440**	**1,447**	**408**	**412**	**1,848**	**1,859**
Revenues	**6,654**	**6,717**	**772**	**844**	**7,426**	**7,561**
Finance lease and Other interest income	42	42	46	60	88	102
Finance cost	191	174	64	83	255	257
Car and other depreciation and amortisation	2,354	2,312	193	200	2,547	2,512
Underlying taxes	52	73	10	15	62	89
Underlying net result	**267**	**367**	**50**	**64**	**317**	**431**
Total assets	28,074	26,776	3,891	4,031	31,964	30,807
Total liabilities	24,483	23,279	3,344	3,510	27,827	26,789

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

	FTE's (average)		Underlying Revenues		Lease Contracts	
	In Units		In millions of euros		In millions of euros	
Country of activity	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Netherlands	1,552	1,315	950	915	2,773	2,649
United Kingdom	547	541	844	895	2,663	2,740
Italy	525	533	826	855	1,850	1,903
Other	5,499	5,293	4,806	4,896	13,758	14,147
As at 30 September	**8,123**	**7,681**	**7,426**	**7,561**	**21,044**	**21,439**

Secondary segments

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

	CaaS		CarNext.com		I/C eliminations		Total	
In millions of euros	9M 2020	9M 2019*	9M 2020	9M 2019*	9M 2020	9M 2019*	9M 2020	9M 2019
Revenues	**7,415**	**7,556**	**102**	**89**	**–91**	**–84**	**7,426**	**7,561**
Underlying cost of revenues	**–6,358**	**–6,372**	**–74**	**–63**	**91**	**84**	**–6,341**	**–6,351**
Underlying lease and additional services gross profit	1,034	1,144	–	–	2	3	1,035	1,147
Profit/loss on disposal of vehicles and End of contract fees gross profit	24	40	28	26	–2	–3	50	62
Underlying gross profit	**1,057**	**1,184**	**28**	**26**	**–**	**–**	**1,085**	**1,210**
Underlying operating expenses	–605	–621	–104	–73	–	–	–709	–694
Share of profit of investments accounted for using the equity method	3	3	–	–	–	–	3	3
Underlying profit before tax	**456**	**567**	**–77**	**–47**	**–**	**–**	**379**	**519**
Underlying tax	–81	–101	19	12	–	–	–62	–89
Underlying net result	**374**	**466**	**–57**	**–35**	**–**	**–**	**317**	**431**
Underlying adjustments	–96	–136	–14	–7	–	–	–109	–143
Reported net result	**278**	**330**	**–71**	**–42**	**–**	**–**	**208**	**288**
Total allocated assets	31,739	30,665	235	153	–10	–11	31,964	30,807
Total allocated liabilities	27,677	26,689	160	111	–10	–11	27,827	26,789

* Proforma and not reviewed.

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

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

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

LeasePlan CaaS continues to report the full revenue of the used cars sold by CarNext.com. The commission paid to CarNext.com is reported in cost of sales. In the operating expenses of CarNext.com an amount of EUR 19.9 million is included related to set-up costs. These costs are excluded from the Underlying net result as they are considered distinct from regular operating activities. All intercompany transactions between LeasePlan CaaS and CarNext.com are eliminated for consolidated purpose.

The balance sheet of CarNext.com includes directly attributable assets and liabilities of CarNext B.V, IFRS 16 leases (buildings, compounds and equipment), IT equipment, other fixed assets and allocated working capital. Total allocated assets include EUR 103 million for IFRS 16 leases (2019: EUR 67 million), EUR 22 million for other fixed assets (2019: EUR 23 million), EUR 34 million intangible assets (2019: EUR 33 million). Total allocated liabilities consist of EUR 107 million IFRS 16 lease liabilities (2019: EUR 68 million) and working capital.

Alternative Performance Measures

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

The reconciliation from IFRS measures to Alternative Performance Measures for the nine months ended September 30, 2020 and 2019 is included in the tables below:

In thousands of euros	**IFRS results 30 September 2020**	**Underlying adjustments**			**Underlying results 30 September 2020**
		Restructuring and other special items *	**Unrealised results on financial instruments**	**Asset impairments and valuation allowance****	
Revenues	**7,426,181**				**7,426,181**
Direct cost of revenues	6,453,038	–	–27,628	–84,231	6,341,178
Gross profit	**973,143**	**–**	**27,628**	**84,231**	**1,085,003**
Total operating expenses	741,611	–28,656	–	–4,110	708,844
Other income	92				92
Share of profit of investments accounted for using the equity method	2,640				2,640
Profit before tax	**234,264**	**28,656**	**27,628**	**88,342**	**378,891**
Income tax expenses	26,677	5,764	7,230	22,166	61,837
Net result attributable to owners of the parent	**207,587**	**22,892**	**20,398**	**66,176**	**317,054**

* Includes professional consultancy costs related to CarNext (EUR 19.9 million) and other consulting (EUR 8.7 million) for a total of EUR 28.6 million before tax (EUR 22.9 million after tax).

** Includes operating lease assets impairment (EUR 49.5 million), valuation allowance of inventory (EUR 34.6 million net of EUR 2 million release in Q3) as this amount significantly increased due to the COVID-19 market disruption which is clearly distinct from the regular operating performance (for that reason comparatives have not been restated) , IT projects impairment (EUR 2.5 million) and leased buildings impairment (EUR 1.6 million) for a total of EUR 88.3 million before tax (EUR 66.2 million after tax).

In thousands of euros	**IFRS results 30 September 2019**	**Underlying adjustments**			**Underlying results 30 September 2019**
		Restructuring and other special items *	**Unrealised results on financial instruments**	**Asset impairments and valuation allowance****	
Revenues	**7,560,930**				**7,560,930**
Direct cost of revenues	6,396,419	–	–35,541	–9,660	6,351,219
Gross profit	**1,164,511**	**–**	**35,541**	**9,660**	**1,209,712**
Total operating expenses	832,161	–46,399		–92,000	693,761
Share of profit of investments accounted for using the equity method	3,447				3,447
Profit before tax	**335,798**	**46,399**	**35,541**	**101,660**	**519,398**
Income tax expenses	48,023	11,354	8,794	20,647	88,818
Net result attributable to owners of the parent	**287,775**	**35,045**	**26,747**	**81,012**	**430,579**

* Includes restructuring and consultancy costs related to the CLS restructuring, Next Generation Digital Architecture and CarNext BU set-up programs (EUR 43.5 million) and other consultancy costs (EUR 2.9 million) for a total of EUR 46.4 million before tax (EUR 35.1 million after tax).

** Includes operating lease assets impairments (EUR 9.7 million) and CLS impairment (EUR 92 million) for a total of EUR 101.6 before tax (EUR 81.0 million after tax).

2 Revenues and direct cost of revenues

Revenues

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

In thousands of euros	**Q3 2020**	**Q3 2019**	**9M 2020**	**9M 2019**
Operating lease income	1,019,939	1,040,108	3,111,443	3,088,466
Finance lease and Other interest income	29,495	30,156	88,349	102,405
Additional services income	582,761	640,716	1,835,705	1,885,795
Vehicle sales and End of contract fees	853,467	821,297	2,390,684	2,484,265
Revenues	**2,485,662**	**2,532,277**	**7,426,181**	**7,560,930**

Finance lease and Other interest income for the nine months period ended 30 September 2020, includes an amount of EUR 8.1 million (9M 2019: EUR 6.5 million) related to Other interest income.

Operating lease income for the nine months period ended 30 September 2020, includes an amount of EUR 533.3 million (9M 2019: EUR 525.8 million) related to interest income.

Direct cost of revenues

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

In thousands of euros	Note	Q3 2020	Q3 2019	9M 2020	9M 2019
Depreciation cars		811,933	820,621	2,471,070	2,447,454
Impairment charge operating lease assets *	9	176	470	49,535	9,660
Finance cost		84,313	89,794	254,941	256,837
Unrealised (gains)/losses on financial instruments		−12,984	7,117	−4,463	35,541
Impairment charges on loans and receivables		24,958	6,221	62,581	21,862
Lease cost		908,396	924,223	2,833,665	2,771,353
Additional services cost		412,584	419,099	1,244,230	1,203,191
Vehicle and Disposal costs	7	799,028	801,516	2,375,143	2,421,875
Direct cost of revenues		**2,120,009**	**2,144,837**	**6,453,038**	**6,396,419**

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

Gross profit (net lease income and vehicles sales income)

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

In thousands of euros	Note	Q3 2020	Q3 2019	9M 2020	9M 2019
Lease services		128,229	153,628	411,200	464,718
Impairment charge operating lease assets *	9	−176	−470	−49,535	−9,660
Unrealised gains/(losses) on financial instruments		12,984	−7,117	4,463	−35,541
Lease		**141,038**	**146,042**	**366,128**	**419,518**
Fleet management and other services		28,420	74,230	128,635	217,649
Repair and maintenance services		67,692	75,215	212,225	247,463
Damage services and Insurance		74,066	72,173	250,614	217,492
Additional services		**170,177**	**221,618**	**591,475**	**682,604**
End of contract fees		33,182	36,355	102,087	104,696
Profit/(loss) on disposed vehicles (PLDV)	7	21,256	−16,574	−86,546	−42,306
Profit/(loss) on disposed vehicles and End of contract fees		**54,438**	**19,781**	**15,541**	**62,390**
Gross profit		**365,653**	**387,440**	**973,143**	**1,164,511**

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

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

In thousands of euros	Q3 2020	Q3 2019	9M 2020	9M 2019
Operating lease - interest income	170,358	181,321	533,267	525,800
Finance lease and Other interest income	29,495	30,156	88,349	102,405
Finance cost	−84,313	−89,794	−254,941	−256,837
Net interest income	**115,539**	**121,683**	**366,675**	**371,368**
Unrealised gains/(losses) on financial instruments	12,984	−7,117	4,463	−35,541
Impairment charges on loans and receivables	−24,958	−6,221	−62,581	−21,862
Net finance income	**103,566**	**108,346**	**308,557**	**313,965**

3 Other depreciation and amortisation

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

In thousands of euros	Q3 2020	Q3 2019	9M 2020	9M 2019
Depreciation other property and equipment	18,843	16,718	53,020	50,278
Amortisation intangible assets	8,950	5,852	24,042	15,204
Impairment charges intangible assets	376	–	2,479	92,000
Other depreciation and amortisation	**28,169**	**22,569**	**79,542**	**157,482**

During the second quarter of 2019, LeasePlan determined that its main IT system development project, the Core Leasing System (CLS), was not fit for purpose in the emerging digital world in which the Company operates. As a consequence, CLS was restructured and existing CLS initiatives were ceased. An impairment loss of EUR 92 million was recognised for the related intangible assets.
LeasePlan abandoned three IT projects and recognised an impairment loss of EUR 2.5 million for the related intangible assets (EUR 0.4 million in Q3).

4 Cashflow statement – cash and cash equivalents

In thousands of euros	30 September 2020	30 September 2019
Cash and balances at central banks	6,673,351	5,170,387
Deposits with banks	400,108	309,658
Call money, cash at banks	253,587	180,821
Bank overdrafts	−102,633	−159,328
Balance for the purpose of the statement of cash flows	**7,224,414**	**5,501,538**

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 90.0 million (30 September 2019: EUR 74.4 million) are not used in the Group's day-to-day operations and form part of the 'Cash and balances at central banks'.
The Cash and balances at central banks increased over the period 30 September 2019 to 30 September 2020, mainly as a consequence of the Group's pre-funding activities given the strength of debt capital markets during 2019 and the activities of securing the liquidity position during 2020.

5 Receivables from financial institutions

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

In thousands of euros	**30 September 2020**	**31 December 2019**
Deposits with banks	400,108	310,116
Call money, cash at banks	253,587	164,787
Cash collaterals deposited for securitisation transactions	61,549	79,492
Cash collaterals deposited for derivative financial instruments	54,003	80,421
Other cash collateral deposited	3,607	3,763
Total	**772,854**	**638,579**

The maturity analysis is as follows:

In thousands of euros	**30 September 2020**	**31 December 2019**
Three months or less	716,476	566,447
Longer than three months, less than a year	9,252	38,904
Longer than a year, less than five years	46,906	33,000
Longer than five years	220	228
Total	**772,854**	**638,579**

The receivables from financial institutions all reside in Stage 1, there is no significant increase in credit risk as at 30 September 2020. The allowance for expected credit losses amounts to EUR 0.4 million (31 December 2019: EUR 0.4 million).

6 Derivative financial instruments

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

	30 September 2020			31 December 2019		
	Notional amounts	Fair value		Notional amounts	Fair value	
In thousands of euros		Assets	Liabilities		Assets	Liabilities
Fair value hedge						
Interest rate swaps	5,769,035	120,818	1,725	6,222,934	73,867	18,810
Cross currency swaps	222,065	–	16,626	316,602	–	20,411
Cash flow hedges						
Interest rate swaps	925,819	–	3,538	1,333,783	195	6,456
Total Derivatives in hedge	**6,916,919**	**120,818**	**21,889**	**7,873,319**	**74,062**	**45,677**
Interest rate swaps	21,222,806	14,843	80,302	22,231,224	13,475	52,570
Cross currency swaps/forwards	3,867,741	62,014	44,793	4,234,730	15,099	38,522
Derivatives not in hedge	**25,090,547**	**76,857**	**125,095**	**26,465,954**	**28,574**	**91,092**
Total	**32,007,466**	**197,675**	**146,984**	**34,339,274**	**102,636**	**136,770**

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

In thousands of euros	Q3 2020	Q3 2019	9M 2020	9M 2019
Derivatives not in hedges	17,254	−6,551	5,068	−38,759
Derivatives fair value hedging instruments	−2,402	6,698	61,274	51,351
Financial liabilities fair value hedged items	−1,868	−7,264	−61,880	−48,132
Hedge ineffectiveness fair value hedges	−4,270	−566	−606	3,219
Unrealised gains/(losses) on financial instruments	**12,984**	**−7,117**	**4,463**	**−35,541**

7 Inventories

In thousands of euros	Note	30 September 2020	31 December 2019
Cars and trucks from terminated lease contracts		308,363	427,877
Valuation allowance	2	−8,250	−8,117
Carrying amount cars and trucks from terminated lease contracts		**300,113**	**419,760**
New cars and trucks in stock		134,753	168,028
Other inventories		27,479	56,932
Total		**462,344**	**644,721**

The COVID-19 pandemic has caused high levels of disruption to the functioning of used-car markets across the world, with many markets effectively shut and others experiencing abruptly reduced levels of demand and dislocations to used-car prices. Compared to 31 December 2019 the valuation allowance for inventory increased by EUR 0.2 million to EUR 8.3 million, or 2.7% of the gross book value of Cars and trucks from terminated lease contracts. The allowance represents the impact of the write down to the lower net realisable value of the inventories.

The allowance of EUR 8.3 million is lower than the EUR 16.7 million reported at 30 June 2020. In Q3, the used-car market continued to recover in most of our core markets and inventory decreased due to cars sold. The release is booked on the Vehicle and Disposal costs report line in the Direct cost of revenues.

The sensitivity of an additional 1% decline in used-cars prices will translate into EUR 0.7 million additional allowance for inventory.

8 Lease receivables from clients

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

In thousands of euros	30 September 2020	31 December 2019
Amounts receivable under finance lease	2,536,665	2,662,336
Trade receivables	773,640	771,704
Impairment	−91,374	−45,986
Total	**3,218,931**	**3,388,054**

The impairment allowance of EUR 91.4 million (year-end 2019: EUR 46.0 million) includes EUR 17.4 million (year-end 2019: EUR 6.2 million) related to invoices under commercial disputes and EUR 74.0 million (year-end 2019: EUR 39.8 million) of expected credit losses (ECL) recognised under IFRS 9.

The ECL allowances include lifetime expected credit losses amounting to EUR 18.6 million (year-end 2019: EUR 12.0 million) for non credit impaired lease receivables and EUR 55.4 million (year-end 2019: EUR 27.8 million) for credit impaired lease receivables. In 2020, changes in the ECL allowance mainly relate to net remeasurements on existing contracts and ECL on new contracts recognised during the period, offset by write-offs. The increase in the ECL allowance for credit impaired lease receivables is caused by an increased number of customers defaulting impacted by COVID-19.

As a result of the COVID-19 pandemic, LeasePlan has updated the ECL calculations for non credit impaired lease receivables with revised macro-economic projections of Gross Domestic Product, unemployment rates and central bank interest rates for each relevant country with the latest available data as at 30 September 2020. LeasePlan uses the macroeconomic information and forecasts from data provider IHS Markit as input to its expected credit loss models, next to developments in parameters such as defaults and amounts overdue.

The Group applied a weighting of 50% base scenario, 25% optimistic scenario and 25% pessimistic scenario that is relevant in each country, deviating from a gradual recovery as per 2021 to a second shutdown. The base scenario however now assumes a global recovery in 2022, the optimistic scenario assumes a quick rebound and the pessimistic scenario assumes a weaker recovery and a strong second set of shutdowns. These updated calculations resulted in an additional ECL allowance for non credit impaired lease receivables of EUR 6.6 million compared to the calculations based on the assumptions applied as at 31 December 2019.

If a 100% optimistic scenario is applied, the ECL allowance for non credit impaired lease receivables is EUR 2.9 million lower. If the pessimistic scenario is applied, the allowance for non credit impaired lease receivables is EUR 1.7 million higher.

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

The maturity analysis is as follows:

In thousands of euros	**30 September 2020**	**31 December 2019**
Three months or less	1,161,915	1,161,452
Longer than three months, less than a year	767,614	814,808
Longer than a year, less than five years	1,364,517	1,443,030
Longer than five years	16,259	14,750
Impairment	−91,374	−45,986
Total	**3,218,931**	**3,388,054**

A part of the receivables under finance lease contracts is encumbered as a result of the asset backed securitisation transactions concluded by the Group. The total value of the securitised financial leased assets amounts to EUR 450 million (year-end 2019: EUR 472 million) (see note 9).

9 Property and equipment under operating lease and rental fleet

In thousands of euros	Operating lease	Rental fleet	Total
Carrying amount as at 1 January 2019	**17,625,566**	**193,410**	**17,818,976**
Purchases/additions	5,425,565	96,004	5,521,569
Disposals	−1,778,508	−44,105	−1,822,613
Transfer from inventories	52,883	–	52,883
Transfer to inventories	−367,613	–	−367,613
Depreciation	−2,499,459	−27,389	−2,526,848
Impairment charge	−33,660	–	−33,660
Impairment reversal	24,000	–	24,000
Currency translation adjustments	30,327	−480	29,848
Carrying amount as at 30 September 2019	**18,479,102**	**217,439**	**18,696,541**
Cost	25,214,721	267,274	25,481,994
Accumulated depreciation	−6,735,618	−49,834	−6,785,453
Carrying amount as at 30 September 2019	**18,479,102**	**217,439**	**18,696,541**
Purchases/additions	2,186,381	28,611	2,214,992
Disposals	−756,749	−19,811	−776,561
Transfer to inventories	−60,264	–	−60,264
Depreciation	−863,544	−10,219	−873,762
Impairment charge	−5,590	–	−5,590
Impairment reversal	16,927	–	16,927
Currency translation adjustments	126,237	1,553	127,790
Carrying amount as at 31 December 2019	**19,122,501**	**217,573**	**19,340,074**
Cost	25,955,566	268,803	26,224,369
Accumulated depreciation	−6,833,066	−51,230	−6,884,296
Carrying amount as at 31 December 2019	**19,122,501**	**217,573**	**19,340,074**
Purchases/additions	4,240,785	53,174	4,293,959
Disposals	−1,749,506	−62,152	−1,811,658
Transfer from inventories	168,028	–	168,028
Transfer to inventories	−308,363	–	−308,363
Depreciation	−2,532,852	−27,284	−2,560,135
Impairment charge	−52,768	–	−52,768
Impairment reversal	3,233	–	3,233
Currency translation adjustments	−540,051	−5,705	−545,756
Carrying amount as at 30 September 2020	**18,351,008**	**175,606**	**18,526,614**
Cost	25,362,151	224,735	25,586,885
Accumulated depreciation	−7,011,143	−49,129	−7,060,271
Carrying amount as at 30 September 2020	**18,351,008**	**175,606**	**18,526,614**

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

Impairment

The COVID-19 pandemic has caused high levels of disruption to the functioning of used-car markets across Europe from March to May, with many markets effectively shut and others experiencing abruptly reduced levels of demand and dislocations to used-car prices. In the third quarter, we have seen the used-car market recover to pre-COVID levels across most of our core markets as B2B and B2C business activities resumed. This goes broadly in line with our earlier expectations underlying the fleet impairment assessments in Q1 and Q2.

The impairment charge for the nine-months period ended 30 September 2020 amounted to EUR 52.7 million, compared to EUR 33.6 million as at 30 September 2019. In Q1 the impairment charge amounted to EUR 49.9 million. The impairment charge for Q2 amounted to EUR 2.8 million. In Q2 (EUR 10.8 million) and Q3 (EUR 1.7 million) was used related to terminated contracts.

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

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

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

Asset backed securitisation transactions

The Group concluded a number of asset backed securitisation transactions hereinafter identified as the Bumper transactions. These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies (which are included in the consolidated financial statements of the Company). As a result of this sale this caption includes encumbered (securitised) operating lease assets amounting to EUR 3.1 billion (year-end 2019: EUR 3.0 billion).

10 Other property and equipment

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

In thousands of euros	**30 September 2020**	**31 December 2019**
Owned	107,748	110,422
Leased	291,142	282,512
Total	**398,890**	**392,935**

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

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

In thousand of euros	**30 September 2020**	**31 December 2019**
Short-term	41,868	39,569
Long-term	267,511	256,719
Total	**309,378**	**296,289**

11 Funds entrusted

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

In thousands of euros	**30 September 2020**	**31 December 2019**
Three months or less	6,019,896	5,372,188
Longer than three months, less than a year	2,277,505	1,455,887
Longer than a year, less than five years	1,011,420	935,395
Longer than five years	64	127
Total	**9,308,886**	**7,763,597**

Savings deposits raised by LeasePlan Bank amounts to EUR 9.2 billion (year-end 2019: EUR 7.7 billion) of which 40.1% (year-end 2019: 43.1%) is deposited for a fixed term. LeasePlan Bank is the brand name under which savings deposits are raised by LeasePlan Corporation N.V. which holds a banking licence in the Netherlands. LeasePlan Bank also operates on the German savings deposit market with a cross border offering from the Netherlands.

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

In thousands of euros	**30 September 2020**	**31 December 2019**
Three months or less	0.12%	0.20%
Longer than three months, less than a year	0.58%	0.65%
Longer than a year, less than five years	0.91%	1.02%

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

12 Borrowings from financial institutions

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

In thousands of euros	30 September 2020	31 December 2019
On demand	102,633	209,969
Three months or less	344,222	487,210
Longer than three months, less than a year	1,122,566	889,192
Longer than a year, less than five years	1,957,691	2,492,445
Total	**3,527,112**	**4,078,817**

13 Debt securities issued

This item includes negotiable, interest bearing securities.

In thousands of euros	30 September 2020	31 December 2019
Bond and notes - originated from securitisation transactions	2,614,305	2,133,462
Bonds and notes - other	8,439,638	9,401,398
Bonds and notes - other (fair value adjustments)	109,192	47,312
Balance as at reporting date	**11,163,134**	**11,582,171**

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

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

In thousands of euros	30 September 2020	31 December 2019
Three months or less	1,116,089	264,072
Longer than three months, less than a year	2,709,264	2,824,177
Longer than a year, less than five years	7,220,302	8,271,787
Longer than five years	117,479	222,135
Total	**11,163,134**	**11,582,171**

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

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

14 Commitments

The Group has entered into commitments in connection with the forward purchase of property and equipment under operating lease and rental fleet amounting to EUR 2.3 billion as at the balance sheet date (year-end 2019: EUR 2.5 billion). These commitments are entered into in the ordinary course of business and the majority is back-to-back matched with lease contracts entered into with customers.

The Group has issued guarantees to the total value of EUR 405 million (year-end 2019: EUR 381 million) of which EUR 403 million (year-end 2019: EUR 379 million) is related to residual value guarantees issued to clients.

Credit facilities have been concluded with investments accounted for using the equity method amounting to EUR 180 million (year-end 2019: EUR 165 million) of which EUR 168.0 million (year-end 2019: EUR 163.5 million) is drawn as at 30 September 2020.

15 Related parties

Identity of related parties

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

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

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

All business relations with investments accounted for using the equity method are in the ordinary course of business and handled on normal market terms. As of 30 September 2020, an amount of EUR 168.0 million (year-end 2019: EUR 163.5 million) is provided as loans to investments accounted for using the equity method.

16 Fair value of financial instruments

The table below summarises the Group's financial assets and financial liabilities, of which the derivatives are measured at fair value and the other financial assets and other financial liabilities are measured at amortised cost on the balance sheet as at 30 September 2020. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Fair value of financial instruments

As at 30 September 2020	**Carrying value**		**Fair value**	
In thousands of euros		**Level 1**	**Level 2**	**Total**
Financial assets measured at fair value				
Derivatives financial instruments in hedge	120,818	–	120,818	120,818
Derivatives financial instruments not in hedge	76,857	–	76,857	76,857
Financial assets not measured at fair value				
Cash and balances at central banks	6,673,351			
Investments in debt securities	24,746	25,173	–	25,173
Receivables from financial institutions	772,854			
Lease receivables from clients	3,218,931	–	3,250,974	3,250,974
Loans to investments using the equity method	168,000	–	170,418	170,418
Investments in equity accounted investments	20,654			
Other receivables and prepayments	276,497	–	276,497	276,497
Total financial assets	**11,352,708**	**25,173**	**3,895,564**	**3,920,737**
Financial liabilities measured at fair value				
Derivatives financial instruments in hedge	21,889	–	21,889	21,889
Derivatives financial instruments not in hedge	125,095	–	125,095	125,095
Financial liabilities not measured at fair value				
Funds entrusted	9,308,886	–	9,310,212	9,310,212
Trade and other payables and deferred income	792,038			
Borrowings from financial institutions	3,527,112	–	3,552,362	3,552,362
Debt securities issued	11,163,134	–	11,227,662	11,227,662
Total financial liabilities	**24,938,154**	**–**	**24,237,219**	**24,237,219**

Fair value of financial instruments

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

Financial instruments in level 1

The fair value of financial instruments that are traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Cash and balances with central banks and Investments in debt securities are the only financial instruments held that are included in level 1.

In December 2019 Debt securities issued (securitised bonds) were shown in level 1. As per Q2, also in Q3 bond markets were open and active, although there was a significant decrease in volume and level of activity compared to normal market activity due to uncertainty around the COVID-19 crisis. Therefore, the Group has now shown the related amounts in level 2.

Financial instruments in level 2

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

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

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

Financial instruments in level 3

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

17 Contingent assets and liabilities

As at 30 September 2020, guarantees had been provided on behalf of the consolidated direct and indirect subsidiaries in respect of commitments entered by those companies with an equivalent value of EUR 2.1 billion (year-end 2019 EUR 2.0 billion). The Company charges a guarantee fee to the respective direct and indirect subsidiaries based on normal market terms.

18 Events occurring after balance sheet date

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

Responsibility statement

Managing Board's responsibility for financial reporting

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

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

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

Amsterdam, 11 November 2020

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

Independent auditor’s review report

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

Our conclusion

We have reviewed the accompanying condensed consolidated interim financial statements as at 30 September 2020 of LeasePlan Corporation N.V.(or hereafter: the 'Company') based in Amsterdam as set out on pages 8 to 40. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union.
The condensed consolidated interim financial statements comprise:

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

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, 'Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit' (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the interim financial information' section of our report.
We are independent of LeasePlan Corporation N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).
We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of the Managing Board and the Supervisory Board for the condensed consolidated interim financial statements

The Managing Board is responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the Company‘s financial reporting process.

Our responsibilities for the review of the condensed consolidated interim financial statements

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion. The level of assurance obtained in a limited assurance engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.
We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with Dutch Standard 2410.

Our review included among others:

— updating our understanding of the entity and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed consolidated interim financial statements where material misstatements are likely to arise due to fraud or error, designing and performing procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion;

- obtaining an understanding in the internal control, as it relates to the preparation of the condensed consolidated interim financial statements;
- making inquiries of management and others within the entity;
- applying analytical procedures with respect to information included in the condensed consolidated interim financial statements;
- obtaining assurance evidence that the condensed consolidated interim financial statements agree with, or reconcile to the entity's underlying accounting records;
- evaluating the assurance evidence obtained;
- considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle;
- considering whether management has identified all events that may require adjustment to or disclosure in the condensed consolidated interim financial statements; and
- considering whether the condensed consolidated interim financial statements have been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement.

Amstelveen, 11 November 2020

KPMG Accountants N.V.
D. Korf RA

Glossary

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

AT1
Additional Tier 1 capital securities.

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

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

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

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

EOCF
End of contract fees.

EV
Electric vehicle.

LCV
Light commercial vehicles.

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

NCI
Non-controlling interests.

PLDV
Profit-and-loss on Disposal of Vehicles.

RMT
Repair, maintenance and tyres.

RoW
Rest of the world.

RV
Residual value of a vehicle.

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