LeasePlan announces Q1 2020 results

AMSTERDAM, the Netherlands, 13 May 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 Q1 results.

Q1 2020 financial highlights

- Net result of EUR 20 million, after deducting EUR 87 million charges due to an inventory valuation allowance and a lease contracts impairment triggered by COVID-19
- Underlying net result of EUR 115 million, impacted by lower PLDV in March due to COVID-19 and further significant strategic investments in CarNext.com
- Car-as-a-Service:
  - Solid Underlying Lease and Additional Services gross profit of EUR 380 million driven by 1.8% serviced fleet growth, strong Damage Services and Insurance result and lower RMT margin
  - PLDV and End of Contract Fees Gross Profit of EUR -11 million largely due to COVID-19 impact in March
- CarNext.com:
  - B2C retail sales up 33% to 11,400 vehicles[1]
  - Underlying net result of EUR -23 million, after EUR 17 million further strategic investments to accelerate future growth
- Diversified funding platform enabled LeasePlan to access various funding sources to maintain a liquidity buffer of EUR 6.7 billion by Q1 2020

Key numbers[2]

	Q1 2020	Q1 2019	% YoY Growth
VOLUME			
Serviced fleet (thousands), as at 31 March	1,858.7	1,826.1	1.8%
Numbers of vehicles sold (thousands)	74.8	72.3	3.5%
PROFITABILITY			
Underlying net result (EUR Million)	114.7	149.6	−23.3%
- Car-as-a-Service	137.9	159.0	−13.3%
- CarNext.com	−23.2	−9.4	−145.7%
Net result (EUR Million)	19.8	132.0	−85.0%
Underlying return on equity	13.8%[3]	16.7%	

[1] CarNext.com B2C retail sales volumes include retail sales only. Previous B2C numbers also included Driver sales, but these will not be included in CarNext.com B2C volumes going forward.

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

[3] RoE is based on equity excluding the Additional Tier 1 instrument. Including the AT1, RoE is 13.1%.

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

"LeasePlan has delivered decades of profitability, even throughout the financial crisis, in a market that has been resilient for more than 50 years. Our underlying net result of EUR 115 million for the first quarter is a testament to the strength and resilience of our business, our high-quality customer base, and the contractually recurring nature of our business and income streams, and includes further significant strategic investments in our operations and CarNext.com.

Today we find ourselves in unprecedented times, with the COVID-19 pandemic causing significant disruption to the global economy. LeasePlan has gone through economic crises before and has proven the resilience of its business model and profitability. As a regulated business, our experienced team was well prepared to manage the impact of the Coronavirus and took swift and decisive steps to ensure the safety of our employees and minimize the impact on our business and customers.

As soon as the crisis hit, we immediately prepared a liquidity plan based on a range of scenarios to see us through the coming period. LeasePlan has a liquidity buffer of EUR 6.7 billion in Q1 2020, highlighting the strength of our diversified funding platform, which gives us access to many sources of funding, from bank deposits to asset backed securities and unsecured debt capital markets. This was evidenced by the successful placement of a EUR 500 million green bond in April 2020.

As part of our liquidity planning and broader COVID-19 response plan, we also took decisive action to reduce our used-car inventory prior to the implementation of wide-spread lockdowns across Europe and focus on contract extensions. Given that we expect the used-car market to be depressed in the near-term, we decided to take a valuation allowance on our used-car inventory and an impairment on our lease contracts, in total EUR 87 million.

With our resilient business model, we are continuing to support customers with their mobility needs and helping to address issues caused by OEM factory closures by offering customers contract extensions on current vehicles or vehicles from CarNext.com. While the vast majority of our clients are in the corporate segment, we have also set up programmes to support customers in our smaller SME and private segments.

Looking ahead, we have established a 'What's next' team to prepare for life after the crisis and ensure we continue to capitalize on the long-term ownership to subscription megatrend that has been driving the structural growth of our industry for the past 50 years. This will be accelerated by our ongoing Digital LeasePlan transformation, which is enabling us to build a fully digital operating model, delivering digital services at digital cost levels.

In the face of testing personal circumstances, LeasePlanners across the world have demonstrated tremendous experience and competence in dealing with the crisis. This is a testament to our history of more than 50 years and I would like to thank them for their leadership, commitment and support. Together, we have taken decisive steps to ensure that LeasePlan has maximum room for manoeuvre in the months ahead and will be well placed to emerge strongly from the crisis when it passes."

Trading update on COVID-19

LeasePlan has delivered decades of profitable growth in a market that has been resilient across economic and business cycles for over 50 years. Today, COVID-19 is causing significant disruption to the global economy. LeasePlan shows resilience against these exceptional economic circumstances due to the strength of its business and core fundamentals, including:

- **Resilient business model** – We have a high-quality, predictable, recurring income stream based on multi-year contracts with over 96%[4] of recurring underlying gross profit and almost EUR 22 billion lease contracts on our balance sheet[5]
- **Highly diversified customer base** – Our customer base is spread across more than 30 countries, comprising over 76% large corporates[4], with no industry representing more than 21%[4] of our corporate customers
- **High-quality and loyal customer base** – Over 61%[6] of our top 100 corporate customers were investment grade rated by Standard & Poor's, reducing the risk of default and credit charges, highlighted by only 14 bps loan loss provisions in 2019
- **Strong balance sheet and diversified funding platform** – Liquidity buffer of EUR 6.7 billion, complemented by investment grade debt ratings reflecting our key credit strengths: our strong business franchise, sound asset quality, professional risk management and our solid solvency ratios

[4] As per financial year 2019

[5] As per 31 March 2020

[6] As per 2019, measured by their total credit risk esposure, investment grade S&P is BBB- and higher

In response to COVID-19, LeasePlan has taken swift actions to protect the safety of our employees, minimise the impact on our business and our customers, and adjust to the new economic reality, including:

- Implementing a full business continuity plan, enabling the vast majority of employees to work safely from home across all our markets
- Tackling global OEM supply chain issues and safeguarding the mobility needs of our clients by offering contract extensions for current vehicles, providing vehicles from CarNext.com or making temporary vehicles available from our rental fleet
- Working with our network of RMT service providers to ensure that critical driver service needs are met despite global supply chain issues and lockdowns
- Supporting customers in challenging circumstances with the launch of dedicated helpdesks, offering a range of payment solutions and advice on available government support schemes
- Minimising working capital by reducing used-car inventory through our CarNext.com platform prior to the implementation of widespread lockdowns
- Reducing discretionary operational expenditure, including postponing non-urgent investments and the implementation of a global hiring freeze
- Taking the decision not to pay a final dividend in respect of 2019 results to further strengthen our liquidity and capital positions
- Supporting front line organizations across Europe that are tackling COVID-19 (medical agencies and municipal authorities) by donating vehicles

Following developments at the end of Q1 2020, the COVID-19 pandemic has caused high levels of disruption to the functioning of used-car markets across Europe, with many markets effectively shut and others experiencing abruptly reduced levels of demand and dislocations to used-car prices:

- LeasePlan has taken an additional valuation allowance for inventory of EUR 37 million and a EUR 50 million impairment on lease contracts assuming used-car sales prices will be negatively impacted by the COVID-19 crisis for at least 3 to 4 months and will then gradually recover to pre-COVID price levels towards the end of 2020
- The sensitivity of an additional 1% decline in used-car prices (equalling 0.4 percentage points decline in sales prices as % of list prices) will translate into c. EUR 8 million decline in PLDV results per quarter (based on c. EUR 800 million used-car sales per quarter). See note 6 and 8 for sensitivity disclosure
- LeasePlan will re-assess its expectations on the inventory valuation allowance and lease contracts impairment in future quarters as we continue to learn more about the full economic impact of the COVID-19 crisis

Other developments following COVID-19 include:

- LeasePlan has not yet seen any material increase in default rates by the end of Q1 2020, which was at 2.27%. LeasePlan has received customer requests for payment deferral, mainly in our smaller SME and private lease segments as from Q2. We are assessing these on a case-by-case basis
- As part of IFRS 9, LeasePlan has updated its provision for expected credit losses on finance leases and trade receivables, which had a limited financial impact of EUR 4.5 million compared to Q1 2019 (due to a high level of collateral for finance leases). See note 7 for sensitivity disclosure on expected credit losses
- Given the uncertainty of the depth and length of the COVID-19 crisis, it is difficult to provide guidance on our core leasing business for 2020 however it is reasonable to expect that the fleet growth will be below expectations. Our focus is on supporting our customers' mobility needs in the face of global OEM supply chain issues by actively facilitating contract extensions. At the same time these contract extensions enable lower monthly instalments for our customers while reducing residual value risk and funding requirements for LeasePlan. In addition, lockdowns across Europe have resulted in garage closures as well as fewer kilometres driven, which means there will be a temporarily reduced demand for repair and maintenance services. As a result, rebates and bonusses on new vehicles and repair and maintenance could decrease

Group performance

In millions of euros, unless otherwise stated	Q1 2020	Q1 2019	% YoY Growth
Lease & Additional Services income	1,765.5	1,674.2	5.5%
Vehicle Sales and End of contract fees	888.3	838.8	5.9%
Revenues	**2,653.8**	**2,513.0**	**5.6%**
Underlying cost of revenues	**2,277.6**	**2,103.4**	**8.3%**
Lease Services	152.0	155.2	−2.0%
Fleet Management & other Services	70.4	74.9	−5.9%
Repair & Maintenance Services	76.6	88.1	−13.1%
Damage Services and Insurance	81.5	72.6	12.2%
Underlying lease and additional Services	**380.6**	**390.8**	**−2.6%**
End of contract fees	39.9	32.0	24.8%
Profit/Loss on disposal of vehicles	−44.2	−13.2	236.0%
Profit/Loss on disposal of vehicles and End of contract fees	**−4.3**	**18.8**	**−123.1%**
Underlying gross profit	**376.2**	**409.6**	**−8.1%**
Underlying operating expenses	242.3	230.2	5.2%
Share of profit of investments accounted for using the equity method	1.0	0.9	
Underlying profit before tax	**135.0**	**180.3**	**−25.1%**
Underlying tax	20.3	30.7	−33.9%
Underlying net result	**114.7**	**149.6**	**−23.3%**
Underlying adjustments	−94.8	−17.6	
Reported net result	**19.8**	**132.0**	**−85.0%**
Staff (FTE's at period end)	8,136	7,483	8.7%

Financial Performance Q1

Revenues increased by 5.6 % to EUR 2,654 million. **Lease and Additional Services income** was up 5.5% to EUR 1,766 million, driven by solid fleet growth, fleet mix and Damage & Insurance income. **Vehicle Sales and End of contract fees** up 5.9% to EUR 888 million, driven by higher volumes, fleet mix and increased B2C retail sales penetration.

Underlying Lease and Additional Services gross profit proved its resilience and was down 2.6% to EUR 381 million, mainly driven by fleet growth, continued strong growth in Damages Services & Insurance, offset by unfavourable RMT margin and a EUR 4.5 million additional provision for an increase in expected credit losses specially for our finance lease portfolio following the COVID-19 crisis. **PLDV and EOCF gross profit** was down to EUR -4 million due to declining used-car proceeds in March as a result of COVID-19.

Underlying operating expenses were up 5.2% to EUR 242 million, due to further strategic investments in CarNext.com. In scaling-up, we increased our CarNext.com-related operating expenses for the quarter by EUR 17 million, mainly in marketing, our data-driven platform and our leading technology taking total CarNext.com operating expenses to EUR 39 million. LeasePlan intends to continue investing in the growth of CarNext.com, however at a slower pace as we focus on managing the COVID-19 crisis.

The underlying tax rate was down 2.0 percentage points to 15.0% driven by one-time temporary tax reductions in various countries.

Underlying net result was down 23% to EUR 115 million, driven by the lower PLDV and higher opex for CarNext.com.

Reported net result was down 85% and includes pre-tax underlying adjustments of EUR 124 million in total, mostly related to COVID-19 events, of which EUR 87 million related to an inventory valuation allowance and lease contracts impairment increase, and EUR 22 million related to FX derivatives due to sharp currency movements during March.

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

Segment reporting CaaS and Carnext.com

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

Financial Performance Car-as-a-Service

In thousands	2020	2019	% YoY Growth
Serviced fleet, as at 31 March	1,858.7	1,826.1	1.8%
Numbers of vehicles sold, as at 31 March	74.8	72.3	3.5%
of which through CarNext.com	68.8	64.4	6.8%

in millions of euros	Q1 2020	Q1 2019	% YoY Growth
Lease and Additional Services income	1,765.5	1,674.2	5.5%
Vehicle sales and End of contract fees	885.2	837.3	5.7%
Revenues	**2,650.7**	**2,511.5**	**5.5%**
Underlying cost of revenues	**2,282.2**	**2,111.1**	**8.1%**
Underlying lease and additional services gross profit	379.7	389.8	−2.6%
Profit/Loss on disposal of vehicles and End of contract fees gross profit	−11.2	10.5	−206.2%
Underlying gross profit	**368.5**	**400.3**	**−7.9%**
Underlying operating expenses	203.6	208.3	−2.3%
Share of profit in equity accounted investments	1.0	0.9	6.7%
Underlying profit before tax	**165.9**	**193.0**	**−14.0%**
Underlying tax	28.1	33.9	−17.2%
Underlying net result	**137.9**	**159.0**	**−13.3%**

Serviced fleet grew 1.8% to 1.9 million vehicles with continued growth in European core markets offset by RoW as result of service-only contract losses.

Revenues increased by 5.5% to EUR 2,651 million driven by solid growth in Lease and Additional Services income as well as higher vehicle sales volumes, sales mix and increased B2C retail sales penetration in Vehicle Sales and End of contract fees.

Underlying Lease and Additional Services Gross Profit proved its resilience and was down 2.6% to EUR 380 million with continued strong growth in Damages Services & Insurance results where penetration as a percentage of serviced fleet increased by 1.5 percentage points to 47.7% by Q1 2020, offset by unfavourable RMT margin and a EUR 4.5 million additional provision for an increase in expected credit losses for our finance lease portfolio following the COVID-19 crisis. A decline in **PLDV and EOCF gross profit** to EUR -11 million was due to lower used-car proceeds in March as a result of COVID-19.

Underlying operating expenses were tightly controlled and decreased by 2.3% to EUR 204 million despite further strategic investments in our digital operations.

The underlying tax rate was down 0.7 percentage points to 16.9% driven by temporary one-time tax reductions in various countries.

Underlying net result was down 13% to EUR 138 million driven by solid performance in the core business offset by lower PLDV.

Operational Highlights Car-as-a-Service

LeasePlan's Car-as-a-Service business for new cars showed solid serviced fleet growth in key markets and continued strong performance from our Damage and Insurance business. In the quarter, LeasePlan further progressed its Digital LeasePlan transformation, including the launch of our MyFleet reporting tool for fleet managers in the Netherlands, Portugal, United Arab Emirates and New Zealand, as well as the MyLeasePlan app for customers in Luxembourg and Germany. At the same time, in response to global COVID-19 lockdowns, LeasePlan ensured business continuity for customers and partners by bolstering network capacity, enabling all of our employees across more than 30 countries to work safely from home.

Financial Performance CarNext.com

Sales volume

In thousands	**2020**	**2019**	**% YoY Growth**
- B2B sales, as at 31 March	57.4	55.8	2.9%
- B2C sales, as at 31 March *	11.4	8.6	32.6%
Total	**68.8**	**64.4**	**6.8%**

*excluding leads generated for UCaaS

in millions of euros	**Q1 2020**	**Q1 2019**	**% YoY Growth**
Revenues	**35.9**	**29.3**	**22.8%**
Underlying cost of revenues	**28.2**	**20.1**	**40.5%**
Underlying gross profit	**7.8**	**9.2**	**–15.8%**
Underlying operating expenses	38.7	21.9	77.1%
Underlying profit before tax	**–30.9**	**–12.6**	**–144.8%**
Underlying tax	–7.8	–3.2	142.0%
Underlying net result	**–23.2**	**–9.4**	**–145.7%**
Total allocated assets	229.8	114.4	100.9%
Total allocated liabilities	157.8	75.5	109.0%

B2C retail volumes were up 33% to approximately 11,400 vehicles, despite a reduction in March due to COVID-19 related country lockdowns.

Revenue was up 22.8% to EUR 36 million driven by higher B2C retail volumes and higher third-party revenues despite COVID-19. **Gross profit** was down 15.8% to EUR 7.8 million due to COVID-19 deteriorating used-car proceeds in March.

Underlying operating expenses totalled EUR 39 million, up by EUR 17 million or 77% as CarNext.com continued to invest in new store openings, marketing, as well as strengthening its digital capabilities and tools. LeasePlan intends to continue investing in the growth of CarNext.com, however at a slower pace as we focus on managing the COVID-19 crisis.

Tax is allocated based on a blend of statutory rates from the 23 countries in which CarNext.com operates. The CarNext.com and Car-as-a-Service segment are integral parts of the group's legal and fiscal entities and as such the losses in the CarNext.com segment can be compensated by the profits in the Car-as-a-Service segment.

Underlying net result was down to EUR -23 million, driven by increased strategic investments.

Operational highlights Carnext.com

CarNext.com delivered strong customer satisfaction and growth, with B2C retail sales volumes up 33% to 11,400 vehicles. During the quarter, CarNext.com successfully expanded its fully online car buying proposition, now available in 22 countries and launched additional home delivery options. We invested further in our technology platform and AI-based pricing prediction model to optimize pricing operations. To support customer mobility needs during COVID-19 lockdowns, CarNext.com also launched home delivery in selected markets, including extra precautions for vehicle handover, such as tailored customer video calls during the buying process.

Funding and Capital Position

The diversified nature of LeasePlan's funding sources was again evident this quarter with the Group's Q1 funding requirements met by the retail bank and secured funding franchise. LeasePlan Bank grew EUR 204 million, bringing the total amount on deposit at 31 March to EUR 7.9 billion. In secured funding, LeasePlan successfully extended its privately placed AUD 600 million Bumper AU transaction in March.

LeasePlan's liquidity position and capital ratios remain strong. The liquidity buffer amounted to EUR 6.7 billion as at 31 March 2020, consisting of cash balances as well as access to its EUR 1.5 billion committed revolving credit facility. The CET1 capital ratio as of 31 March 2020 is 16.4%. This CET1 ratio is calculated at the regulatory sub-consolidated level (LeasePlan Corporation N.V. consolidated). At this sub-consolidated level, the Total Capital ratio is 19.0% which is equal to the Tier 1 capital ratio[7]. The decrease in capital ratios compared to the capital ratios as at the end of 2019 is mainly a reflection of applying The Standardized Approach (TSA) for Operational Risk as per 1 January 2020 instead of the Advanced Measurement Approach (AMA) as applied before 1 January 2020. Due to the change to TSA from AMA, the Risk Weighted Assets for Operational Risk have increased.

Following the Supervisory Review and Evaluation Process (SREP) by the Dutch Central Bank (DNB), LeasePlan's minimum capital requirements as of 24 February 2020 were set at 9.5% for the Common Equity Tier 1 (CET1) capital ratio (excluding the 0.9% shortfall in the AT1 and Tier 2 buckets under Pillar 1 as at 31 March 2020 at the regulatory sub-consolidated level) and 13.0% for the total SREP Capital Requirement ratio. The CET1 and total SREP Capital Requirements excludes the combined buffer requirement (i.e., capital conservation buffer of 2.5% and counter-cyclical buffer of 0.2% as at 31 March 2020). These capital requirements take into account the change to TSA from AMA for Operational Risk.

As a result of the COVID-19 developments in Q1 2020 and the related market uncertainties, LeasePlan's Board of Management proposed to declare no final dividend on the 2019 net results. This was approved by the general meeting of shareholders on 20 March 2020.

Post Q1 2020, activities include:

- Successful placement of a EUR 500 million Green Bond in April 2020
- On 20 April Fitch affirmed LeasePlan Corporation N.V.'s LT rating at BBB+ and revised the outlook to Negative from Stable. Furthermore, it downgraded its ST rating to F2 from F1
- On 24 April S&P affirmed LeasePlan Corporation N.V.'s ratings and outlook

[7] CET1 ratio at the regulatory Consolidated level (LP Group BV consolidated) is 16.4% and CET1 ratio at the regulatory Solo level (LeasePlan Corporation N.V.) is 15.3% as of 31 March 2020. The CET1 ratio at the regulatory solo level is excluding the Q1 2020 interim result.

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About LeasePlan

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

Disclaimer

Financial and other information in this document may contain certain forward-looking statements (all statements other than those made solely with respect to historical facts) based upon beliefs and data currently available to management. These statements are based on a variety of assumptions that may not be realised and are subject to significant business, economic, legal and competitive risks and uncertainties. Our actual operations, financial conditions, cash flows and operating results may differ materially from those expressed or implied by any such forward-looking statements and we undertake no obligation to update or revise them.

Condensed consolidated interim financial statements

Condensed consolidated statement of profit or loss

For the period ended 31 March

In thousands of euros	Note	Q1 2020	Q1 2019
Operating lease income		1,065,376	1,021,642
Finance lease and Other interest income		31,475	35,749
Additional services income		668,670	616,789
Vehicle sales and End of contract fees		888,301	838,771
Revenues	2	**2,653,822**	**2,512,951**
Depreciation cars		896,890	817,233
Finance cost		86,334	82,009
Unrealised (gains)/losses on financial instruments		11,687	16,342
Impairment charges on loans and receivables		11,501	6,981
Lease cost		1,006,412	922,565
Additional services cost		450,294	381,199
Vehicle and Disposal cost		929,279	819,975
Direct cost of revenues	2	**2,385,986**	**2,123,739**
Lease services		90,439	134,827
Additional services		218,376	235,589
Profit/Loss on disposal of vehicles and End of contract fees		−40,978	18,796
Gross profit	2	**267,836**	**389,212**
Staff expenses		147,505	142,803
Other operating expenses		84,612	69,356
Other depreciation and amortisation		25,705	20,853
Total operating expenses		**257,821**	**233,012**
Share of profit of investments accounted for using the equity method		991	929
Profit before tax		**11,006**	**157,129**
Income tax expenses		−8,827	25,151
Net result for the period		**19,833**	**131,977**
Attributable to:			
Equity holders of parent		10,613	131,977
Holders of AT1 capital securities		9,220	–

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 31 March

In thousands of euros	**Q1 2020**	**Q1 2019**
Net result	19,833	131,977
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Changes in cash flow hedges, before tax	562	–711
Income tax on cash flow hedges	–514	178
Subtotal changes in cash flow hedges, net of income tax	**49**	**–533**
Exchange rate differences	–82,290	25,120
Other comprehensive income, net of income tax	**–82,241**	**24,587**
Total comprehensive income for the year	**–62,408**	**156,564**
Comprehensive income attributable to:		
Owners of the parent	–71,628	156,564
Holders of AT1 capital securities	9,220	–

Condensed consolidated statement of financial position

In thousands of euros	Note	**31 March 2020**	**31 December 2019**
Assets			
Cash and balances at central banks	3	4,779,690	4,828,356
Investments in debt securities		24,636	24,663
Receivables from financial institutions	4	695,898	638,579
Derivative financial instruments	5	189,784	102,636
Other receivables and prepayments		1,173,241	1,242,624
Inventories	6	548,615	644,721
Corporate income tax receivable		60,161	70,796
Loans to equity accounted investments		169,500	163,500
Lease receivables from clients	7	3,334,072	3,388,054
Property and equipment under operating lease and Rental fleet	8	19,068,065	19,340,074
Other property and equipment	9	404,172	392,935
Equity accounted investments		20,202	18,778
Intangible assets		219,232	203,387
Deferred tax asset		243,205	229,150
Total assets		**30,930,472**	**31,288,252**

Condensed consolidated statement of financial position - *continued*

In thousands of euros	Note	**31 March 2020**	**31 December 2019**
Liabilities			
Funds entrusted	10	7,973,556	7,763,597
Derivative financial instruments	5	244,866	136,770
Trade and other payables and Deferred income	11	2,314,864	2,437,634
Corporate income tax payable		54,310	65,377
Borrowings from financial institutions	12	4,034,144	4,078,817
Lease liabilities	9	309,534	296,289
Debt securities issued	13	11,167,990	11,582,171
Provisions		507,087	522,335
Deferred tax liabilities		325,889	344,623
Total liabilities		**26,932,241**	**27,227,613**
Equity			
Share capital		71,586	71,586
Share premium		506,398	506,398
Other reserves		−125,366	−43,125
Retained earnings		3,038,475	3,027,862
Equity of owners of the parent		**3,491,092**	**3,562,720**
AT1 capital securities		507,139	497,919
Total equity		**3,998,231**	**4,060,639**
Total equity and liabilities		**30,930,472**	**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	Total equity
Balance as at 1 January 2019	**71,586**	**506,398**	**–67,760**	**2,825,370**	**3,335,594**	**–**	**3,335,594**
Net result	–	–	–	131,977	131,977	–	131,977
Other comprehensive income	–	–	24,587	–	24,587	–	24,587
Total comprehensive income	**–**	**–**	**24,587**	**131,977**	**156,564**	**–**	**156,564**
Balance as at 31 March 2019	**71,586**	**506,398**	**–43,173**	**2,957,347**	**3,492,158**	**–**	**3,492,158**
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	–	–	–	19,833	19,833	–	19,833
Transfer - accrued interest on AT1 capital securities	–	–	–	–9,220	–9,220	9,220	–
Other comprehensive income	–	–	–82,241	–	–82,241	–	–82,241
Total comprehensive income	**–**	**–**	**–82,241**	**10,613**	**–71,628**	**9,220**	**–62,408**
Balance as at 31 March 2020	**71,586**	**506,398**	**–125,366**	**3,038,475**	**3,491,092**	**507,139**	**3,998,231**

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.
During the first quarter of 2020 LeasePlan accrued interest on AT1 capital securities for EUR 9.2 million. The total interest amount of EUR 12.5 million, that includes EUR 3.3 million accrued in 2019, is payable in May 2020, therefore as at the reporting date this amount does not yet represent a liability.

Condensed consolidated statement of cash flows

For the period ended 31 March

In thousands of euros	Note	2020	2019
Operating activities			
Net result		**19,833**	**131,977**
Adjustments			
Interest income and expense *		54,859	46,260
Impairment charges on receivables		11,501	6,981
Valuation allowance on inventory *		36,639	–5,054
Depreciation operating lease portfolio and rental fleet	8	925,317	842,920
Insurance expense		98,828	96,641
Depreciation other property plant and equipment		16,625	16,414
Amortisation and impairment on intangibles		9,080	4,433
Share of profit in equity accounted investments		–991	–929
Financial instruments at fair value through profit and loss		11,687	16,342
Income tax expense		–8,827	25,151
Changes in			
Provisions *		–112,765	–96,410
Derivative financial instruments		56,541	1,376
Trade and other payables and other receivables		56,351	–162,158
Inventories *		282,759	375,656
Amounts received disposing objects under operating lease	8	415,032	384,726
Amounts paid acquiring objects under operating lease	8	–1,744,243	–1,709,916
Acquired new finance leases		–318,209	–335,717
Repayment finance leases		329,559	313,577
Income taxes received		338	826
Income taxes paid		–15,978	–9,595
Interest received *		32,834	35,663
Interest paid		–94,809	–83,691
Net cash inflow/(outflow) from operating activities		**61,961**	**–104,525**

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

See continuation of this table on the next page.

Condensed consolidated statement of cash flows – *continued*

For the period ended 31 March

In thousands of euros	Note	2020	2019
Investing activities			
Investments in debt securities (net)		27	−39
Loans to equity accounted investments		−24,000	−17,500
Redemption on loans to equity accounted investments		18,000	15,800
Proceeds from sale of other property and equipment		7,099	8,073
Acquisition of other property and equipment		−12,700	−14,780
Acquisition of intangibles assets		−25,373	−13,124
Net cash outflow from investing activities		**−36,946**	**−21,570**
Financing activities			
Receipt from receivables from financial institutions		341,243	177,917
Balances deposited to financial institutions		−345,693	−174,775
Receipt of borrowings from financial institutions		1,285,008	1,305,428
Repayment of borrowings from financial institutions		−1,169,976	−1,323,650
Receipt of funds entrusted		983,000	1,424,048
Repayment of funds entrusted		−773,057	−430,311
Receipt of debt securities		1,154	989,454
Repayment of debt securities		−272,876	−678,167
Payment of lease liabilities		−11,640	−9,338
Net cash inflow from financing activities		**37,165**	**1,280,608**
Cash and balances with banks as at 1 January		**5,093,290**	**3,351,570**
Net movement in cash and balances with banks		62,180	1,154,513
Exchange gains/(losses) on cash and balances at banks		−1,539	−1,005
Cash and balances with banks as at 31 March	3	**5,153,931**	**4,505,078**

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 31 March 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 31 March 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 31 March 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 31 March 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.

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 reviewing, but not limited to:
• Considering the impact on financial instruments, issued notes and the potential impact on future cash flows and discounting;
• The Group is currently engaging with its external financial institutions and counterparts to assess and source ARRs to its current contracts / term sheets;
• The Group is looking at the potential impact of the IBOR reform to its collateral agreements;
• A legal review of all contracts in terms of contractual triggers, such as fallback events and their impact.

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

The IASB has started work on phase 2 commencing October 2019. The second phase of its project focuses on financial reporting issues that may arise when IBOR are either reformed or replaced. It is expected that exposure draft for IBOR phase 2 was issued in April 2020.

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.

Other changes

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

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

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

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

- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018).

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 in May 2017, including future amendments, but not yet endorsed by the EU) by the expected effective date. On 17 March 2020 the IASB agreed with the various changes proposed in the Exposure Draft (ED) 'Amendments to IFRS 17' issued on 26 June 2019, including deferral of the effective date to 1 January 2023. IASB granted one year more to prepare for the initial application of IFRS 17, compared to the proposal in ED. Agreed amendments are expected to be issued in the second quarter of 2020.

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).

These changes are not expected to have a significant impact on shareholders' equity nor comprehensive income of the Group. The Group is currently assessing the impact due to the interest rate benchmark reform on the business.

Use of judgements and estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that impact the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were based on those applied to the consolidated financial statements for the year ended 31 December 2019.
However due to COVID-19 pandemic the assumptions in expected credit loss on lease receivables from clients and the assumptions in impairment test of goodwill, property and equipment under operating lease and inventory were adjusted to more pessimistic scenarios.

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 development (COVID-19)

The COVID-19 pandemic is currently causing significant disruption in the global economy. In response to this outbreak, numerous governments have imposed various levels of restrictions on personal movement and closed large sections of the economy. This crisis could impact 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 is executing its business continuity plan, and the vast majority of employees are working safely from home across all its markets, supported by the global digital infrastructure. To mitigate risks, LeasePlan is minimising cash expenditures and maximizing use of existing assets through vehicle extensions, reducing used vehicles inventory, delaying certain non-critical investment and expenditure, minimising working capital and foregoing a portion of 2019 dividend payout. We are carefully monitoring the capital markets to adapt to further developments. We are also carefully monitoring customer payment behaviour. We have extended licenses, IT infrastructure capacity and are proactively scanning the IT landscape for cyber-attacks.

The COVID-19 pandemic has caused high levels of disruption to the functioning of used-car markets across Europe, with many markets effectively shut and others experiencing abruptly reduced levels of demand and dislocations to used-car prices. In the first quarter, LeasePlan has taken an additional valuation allowance for inventory of EUR 37 million and a EUR 50 million additional impairment on Property and Equipment under Operating lease triggered by lower used-car sales prices negatively impacted by the COVID-19 crisis. The sensitivity of an additional 1% decline in used-car prices (equalling 0.4 percentage points decline in sales prices as % of list prices) will translate into c. EUR 8 million decline in Profit/(Loss) on disposal of vehicles results per quarter (based on c. EUR 800 million used-car sales per quarter). Dependent on the duration and absolute impact of lower used-car sales prices the negative impact can show directly in lower PLDV results and/or lead to higher Inventory valuation allowance and/or impairments on leased assets.

The valuation allowance for inventory of EUR 37 million on the used-car inventory expected to be sold in Q2 2020 (c. 9% impact on c. EUR 400 million in used-car inventory) is based on the assumption that the Inventory will be sold against currently existing lower price levels. The sensitivity of an additional 1% decline in used-cars will translate into EUR 4 million additional inventory valuation allowance.

The addition to impairments on Property and Equipment under Operating Lease (lease contracts) is EUR 50 million and is based on an assessment of the value in use of all lease contracts. For our projections we have considered the impact of the COVID-19 crisis and expect that the current low level of residual values/used car prices will last for at least 3 to 4 months and will then gradually recover to pre-COVID price levels towards the end of 2020. 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. See Note 8 for sensitivity disclosure of impaired lease contracts.

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

Other developments following COVID-19 include:

- LeasePlan has not yet seen any material increase in default rates by end of Q1 2020, which was at 2.27%. LeasePlan has received customer requests for payment deferral, mainly in our smaller SME and private lease segments as from Q2. We are assessing these on a case-by-case basis
- As part of IFRS 9, LeasePlan has updated its provision for expected credit losses on finance leases and trade receivables, which had a limited impact of EUR 4.5 million increase compared to Q1 2019 (due to a high level of collateral for finance leases). See Note 7 for sensitivity disclosure of expected credit losses
- Given the uncertainty of the depth and length of the COVID-19 crisis, it is difficult to provide guidance on our core leasing business for 2020 however it is reasonable to expect that the fleet growth will be below expectations. Our focus is on supporting our customers' mobility needs in the face of global OEM supply chain issues by actively facilitating contract extensions. At the same time these contract extensions enable lower monthly instalments for our customers while reducing residual value risk and funding requirements for LeasePlan. In addition, lock-downs across Europe have resulted in garage closures as well as fewer kilometres driven, which means there will be a temporarily reduced demand for repair and maintenance services. As a result, rebates and bonusses on new vehicles and repair and maintenance could decrease

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, operational risk and liquidity risk (which is part of treasury risk) are considered to be primary risks. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required for the annual financial statements; these disclosures should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019.

The COVID-19 health crisis is causing significant disruption in the global economy. Our high-quality customer base, the long-term nature of our contracts, recurring income, strong balance sheet and diversified funding platform will help us during this period of uncertainty. The risks that are most relevant in light of the current COVID-19 health crisis are further described below. As a result of the COVID-19 health crisis, the Group increased the monitoring activities regarding these risks. Next to this we also provide further explanation on the change in the treatment how the Group determines the own funds requirement for operational risk.

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 March 2020 amounted to EUR 13.2 billion (year-end 2019: EUR 13.5 billion).

B. Liquidity risk

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

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

C. Credit risk

As a result of its normal business activities, the Group is exposed to credit risk, which is the risk that a counterparty will not be able to fulfil its financial obligations when due. In the Group's core business, this credit risk mainly relates to lease receivables from clients. Lease receivables from clients consist of trade receivables and amounts receivable under finance lease contracts. For amounts receivable under finance lease contracts credit risk is mitigated materially by the underlying value of the available collateral (i.e. leased object).

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.

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

D. Operational risk

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

Specific notes

All amounts are in thousands of euros, unless stated otherwise

1 Segment information

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

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

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

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

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

	Europe		Rest of the world		Total	
In millions of euros	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Serviced fleet (in thousands) at period end	**1,456**	**1,408**	**403**	**418**	**1,859**	**1,826**
Revenues	**2,351**	**2,244**	**303**	**269**	**2,654**	**2,513**
Finance lease and Other interest income	13	14	18	22	31	36
Finance cost	62	55	24	28	86	82
Car and other depreciation and amortisation	804	768	66	66	871	834
Underlying taxes	14	26	6	5	20	31
Underlying net result	**92**	**131**	**23**	**19**	**115**	**150**
Total assets	27,029	25,305	3,902	3,840	30,930	29,145
Total liabilities	23,561	22,244	3,372	3,409	26,932	25,653

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	1,518	1,258	331	290	2,837	2,479
United Kingdom	552	533	286	299	2,890	2,659
Italy	530	525	284	292	1,909	1,835
Other	5,453	5,244	1,753	1,633	14,038	13,781
As at 31 March	**8,054**	**7,561**	**2,654**	**2,513**	**21,674**	**20,754**

Secondary segments

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

	Caas		Carnext		I/C eliminations		Total	
in millions of euros	**Q1 2020**	**Q1 2019***	**Q1 2020**	**Q1 2019***	**Q1 2020**	**Q1 2019***	**Q1 2020**	**Q1 2019**
Revenues	**2,651**	**2,511**	**36**	**29**	**−33**	**−28**	**2,654**	**2,513**
Underlying cost of revenues	**−2,282**	**−2,111**	**−28**	**−20**	**33**	**28**	**−2,278**	**−2,103**
Underlying lease and additional services gross profit	380	390	–	–	1	1	381	391
Profit/loss on disposal of vehicles and End of contract fees gross profit	−11	11	8	9	−1	−1	−4	19
Underlying gross profit	**369**	**400**	**8**	**9**	**–**	**–**	**376**	**410**
Underlying operating expenses	−204	−208	−39	−22	–	–	−242	−230
Share of profit in equity accounted investments	1	1	–	–	–	–	1	1
Underlying profit before tax	**166**	**193**	**−31**	**−13**	**–**	**–**	**135**	**180**
Underlying tax	−28	−34	8	3	–	–	−20	−31
Underlying net result	**138**	**159**	**−23**	**−9**	**–**	**–**	**115**	**150**
Underlying adjustments	−89	−18	−6	–	–	–	−95	−18
Reported net result	**49**	**141**	**−29**	**−9**	**–**	**–**	**20**	**132**
Total allocated assets *	30,705	29,034	230	114	−4	−4	30,930	29,145
Total allocated liabilities *	26,778	25,581	158	76	−4	−4	26,932	25,653

* 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 12 million is included related to set-up costs. These costs are excluded from the Underlying net result as they are considered distinct from regular operating activities.

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

Balance sheet of CarNext.com 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 97 million for IFRS 16 leases (2019: EUR 62 million), EUR 22 million for other fixed assets (2019: EUR 23 million), EUR 31 million intangible assets (2019: EUR 14 million). Total allocated liabilities consist of EUR 99 million IFRS 16 lease liabilities (2019: EUR 62 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 three months ended March 31, 2020 and 2019 is included in the tables below:

	IFRS results 31 March 2020	Underlying adjustments			Underlying results 31 March 2020
		Restructuring and other special items *	Unrealised results on financial instruments	Assets impairments and valuation allowance**	
Revenues	**2,653,822**				**2,653,822**
Direct cost of revenues	2,385,986	–	−21,865	−86,538	2,277,582
Gross profit	**267,836**	**–**	**21,865**	**86,538**	**376,240**
Total operating expenses	257,821	−13,467	–	−2,104	242,250
Share of profit of investments accounted for using the equity method	991				991
Profit before tax	**11,006**	**13,467**	**21,865**	**88,642**	**134,981**
Income tax expenses	−8,827	1,515	5,805	21,810	20,302
Net result attributable to owners of the parent	**19,833**	**11,952**	**16,060**	**66,833**	**114,678**

*Includes professional consultancy costs related to CarNext (EUR 12 million) and other consulting (EUR 1.4 million) for a total of EUR 13.4 million before tax (EUR 11.9 million after tax).

**Includes lease contracts impairment (EUR 49.9 million), additional valuation allowance of inventory (EUR 36.6 million) as this amount significantly increased due to the COVID-19 market disruption which is clearly distinct from the regular operating performance (Comparatives have not been restated) and IT projects impairment (EUR 2.1 million) for a total of EUR 88.6 million before tax (EUR 66.8 million after tax).

	S results 31 March 2019	Underlying adjustments			derlying results 31 March 2019
		Restructuring and other special items *	**nrealised results on financial instruments**	**sets impairments and valuation allowance****	
Revenues	**2,512,951**				**2,512,951**
Direct cost of revenues	2,123,739	–	−16,342	−4,000	2,103,397
Gross profit	**389,212**	**–**	**16,342**	**4,000**	**409,553**
Total operating expenses	233,012	−2,845			230,168
Share of profit of investments accounted for using the equity method	929				929
Profit before tax	**157,129**	**2,845**	**16,342**	**4,000**	**180,315**
Income tax expenses	25,151	910	3,887	760	30,708
Net result attributable to owners of the parent	**131,977**	**1,935**	**12,455**	**3,240**	**149,607**

*Includes restructuring and consultancy costs for a total of EUR 2.8 million before tax (EUR 1.9 million after tax).

**Includes lease contracts impairment for a total of EUR 4.0 million before tax (EUR 3.2 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	**Q1 2020**	**Q1 2019**
Operating lease income	1,065,376	1,021,642
Finance lease and Other interest income	31,475	35,749
Additional services income	668,670	616,789
Vehicle sales and End of contract fees	888,301	838,771
Revenues	**2,653,822**	**2,512,951**

Finance lease and Other interest income for the three months period ended 31 March 2020, includes an amount of EUR 2.4 million (Q1 2019: EUR 1.8 million) related to Other interest income.

Operating lease income for the three months period ended 31 March 2020, includes an amount of EUR 185.1 million (Q1 2019: EUR 170.3 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	Q1 2020	Q1 2019
Depreciation cars		846,991	813,233
Impairment on assets *	8	49,899	4,000
Finance cost		86,334	82,009
Unrealised (gains)/losses on financial instruments		11,687	16,342
Impairment charges on loans and receivables		11,501	6,981
Lease cost		1,006,412	922,565
Additional services cost		450,294	381,199
Vehicle and Disposal costs	6	929,279	819,975
Direct cost of revenues		**2,385,986**	**2,123,739**

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

Gross profit (net lease income and vehicles sales income)

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

In thousands of euros	Note	Q1 2020	Q1 2019
Lease services		152,026	155,169
Impairment on assets *	8	−49,899	−4,000
Unrealised gains/(losses) on financial instruments		−11,687	−16,342
Lease		**90,439**	**134,827**
Fleet management & other services		60,265	74,857
Repair and maintenance services		76,573	88,085
Damage services and Insurance		81,538	72,648
Additional services		**218,376**	**235,589**
End of contract fees		39,896	31,961
Profit/(loss) on disposed vehicles (PLDV)	6	−80,875	−13,165
Profit/(loss) on disposed vehicles and End of contract fees		**−40,978**	**18,796**
Gross profit		**267,836**	**389,212**

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

Net finance income

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

In thousands of euros	Q1 2020	Q1 2019
Operating lease - interest income	185,130	170,286
Finance lease and Other interest income	31,475	35,749
Finance cost	−86,334	−82,009
Net interest income	**130,271**	**124,026**
Unrealised gains/(losses) on financial instruments	−11,687	−16,342
Impairment charges on loans and receivables	−11,501	−6,981
Net finance income	**107,083**	**100,703**

3 Cashflow statement – cash and cash equivalents

In thousands of euros	31 March 2020	31 March 2019
Cash and balances at central banks	4,779,690	4,116,474
Deposits with banks	323,227	300,241
Call money, cash at banks	207,810	240,099
Bank overdrafts	−156,796	−151,736
Balance for the purpose of the statement of cash flows	**5,153,931**	**4,505,078**

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 74.3 million (31 March 2019: EUR 100.8 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 31 March 2019 to 31 March 2020, mainly as a consequence of the Group's pre-funding activities given the strength of debt capital markets during 2019.

4 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	31 March 2020	31 December 2019
Deposits with banks	323,227	310,116
Call money, cash at banks	207,810	164,787
Cash collaterals deposited for securitisation transactions	76,985	79,492
Cash collaterals deposited for derivative financial instruments	84,253	80,421
Other cash collateral deposited	3,623	3,763
Total	**695,898**	**638,579**

The maturity analysis is as follows:

In thousands of euros	31 March 2020	31 December 2019
Three months or less	625,362	566,447
Longer than three months, less than a year	38,210	38,904
Longer than a year, less than five years	32,104	33,000
Longer than five years	222	228
Total	**695,898**	**638,579**

The gross carrying amount as well as the expected credit loss allowance all reside in Stage 1. There is no significant increase in credit risk. The allowance measured for the 12-months period ended at 31 March 2020 amounted to EUR 0.4 million (31 March 2019: EUR 0.4 million).

5 Derivative financial instruments

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

	31 March 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	6,219,756	114,762	10,838	6,222,934	73,867	18,810
Cross currency swaps	248,288	–	29,796	316,602	–	20,411
Cash flow hedges						
Interest rate swaps	1,265,096	39	5,365	1,333,783	195	6,456
Total Derivatives in hedge	**7,733,140**	**114,802**	**45,999**	**7,873,319**	**74,062**	**45,677**
Interest rate swaps	19,641,539	14,739	81,304	22,231,224	13,475	52,570
Cross currency swaps	4,314,534	60,243	117,563	4,234,730	15,099	38,522
Derivatives not in hedge	**23,956,073**	**74,982**	**198,867**	**26,465,954**	**28,574**	**91,092**
Total	**31,689,213**	**189,784**	**244,866**	**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	Q1 2020	Q1 2019
Derivatives not in hedges	−14,333	−19,388
Derivatives fair value hedging instruments	49,668	17,936
Financial liabilities fair value hedged items	−47,021	−14,889
Hedge ineffectiveness fair value hedges	2,647	3,047
Unrealised gains/(losses) on financial instruments	**−11,687**	**−16,342**

6 Inventories

	Note	31 March 2020	31 December 2019
Cars and trucks from terminated lease contracts		398,453	427,877
Valuation allowance	2	−44,703	−8,117
Carrying amount cars and trucks from terminated lease contracts		**353,749**	**419,760**
New cars and trucks in stock		171,310	168,028
Other inventories		23,555	56,932
Total		**548,615**	**644,721**

The COVID-19 pandemic has caused high levels of disruption to the functioning of used-car markets across Europe, with many markets effectively shut and others experiencing abruptly reduced levels of demand and dislocations to used-car prices. LeasePlan has taken an additional valuation allowance for inventory of EUR 37 million assuming used-car sales prices will be negatively impacted by the COVID-19 crisis for the near-term.

The valuation allowance for Inventory of EUR 37 million on the used-car stock expected to be sold in Q2 2020 (c. 9% impact on c. EUR 400 million in used-car stock) is based on the assumption that the stock will be sold against currently existing lower price levels. The sensitivity of an additional 1% decline in used-cars will translate into EUR 4 million additional valuation allowance for inventory. The accrual is booked on the Vehicle and Disposal costs report line in the Direct cost of revenues.

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

7 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	31 March 2020	31 December 2019
Amounts receivable under finance lease	2,618,170	2,662,336
Trade receivables	764,936	771,704
Impairment	–49,034	–45,986
Total	**3,334,072**	**3,388,054**

Impairment of EUR 49.0 million (year-end 2019: EUR 46.0 million) includes EUR 6.7 million (year-end 2019: EUR 6.2 million) related to invoices under commercial disputes and EUR 42.3 million (year-end 2019: EUR 39.8 million) of expected credit loss (ECL) allowances recognized on a counterparty level under IFRS 9.

As a result of the COVID-19 pandemic LeasePlan has updated the expected credit losses calculations with revised macro-economic projections of Gross Domestic Product, unemployment rates and ECB rates as per April 2020. In these projections the situation will gradually reverse to previous levels as per 2021. In addition a 100% weight of the adverse scenario was applied in the calculation of the expected credit loss provision. These updated calculations resulted in an additional impairment of EUR 2.5 million. In our annual report of 2019 the provision according to the adverse scenario as per 31 December 2019 was expected to be EUR 1.3 million higher compared to the base scenario.

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

The ECL allowances include lifetime expected credit losses amounting to EUR 14.6 million (year-end 2019: EUR 12.0 million) for non credit impaired assets and EUR 27.7 million (year-end 2019: EUR 27.8 million) for credit impaired assets. In 2020, changes in ECL amounts mainly relate to net remeasurements and new contracts recognised during the period, offset by write-offs.

The maturity analysis is as follows:

In thousands of euros	31 March 2020	31 December 2019
Three months or less	1,157,445	1,161,452
Longer than three months, less than a year	812,627	814,808
Longer than a year, less than five years	1,396,590	1,443,030
Longer than five years	16,444	14,750
Impairment	–49,034	–45,986
Total	**3,334,072**	**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 435 million (year-end 2019: EUR 472 million) (see note 8).

8 Property and equipment under operating lease and rental fleet

	Operating lease	Rental fleet	Total
Carrying amount as at 1 January 2019	**17,625,566**	**193,410**	**17,818,976**
Purchases/additions	1,677,930	31,986	1,709,916
Disposals	–371,371	–13,356	–384,726
Transfer from inventories	52,883	–	52,883
Transfer to inventories	–408,953	–	–408,953
Depreciation	–830,393	–8,528	–838,921
Impairment charge	–4,000	–	–4,000
Currency translation adjustments	137,975	525	138,500
Carrying amount as at 31 March 2019	**17,879,638**	**204,038**	**18,083,675**
Cost	24,567,842	245,654	24,813,495
Accumulated depreciation	–6,688,204	–41,616	–6,729,820
Carrying amount as at 31 March 2019	**17,879,638**	**204,038**	**18,083,675**
Purchases/additions	5,934,016	92,628	6,026,644
Disposals	–2,163,887	–50,561	–2,214,448
Transfer to inventories	–18,924	–	–18,924
Depreciation	–2,532,610	–29,080	–2,561,690
Impairment charge	–35,249	–	–35,249
Impairment reversal	40,927	–	40,927
Currency translation adjustments	18,589	548	19,138
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	1,719,970	24,273	1,744,243
Disposals	–387,002	–28,031	–415,032
Transfer from inventories	168,028	–	168,028
Transfer to inventories	–398,453	–	–398,453
Depreciation	–865,283	–10,135	–875,418
Impairment charge	–49,899	–	–49,899
Currency translation adjustments	–442,033	–3,444	–445,477
Carrying amount as at 31 March 2020	**18,867,829**	**200,236**	**19,068,065**
Cost	25,620,790	250,174	25,870,963
Accumulated depreciation	–6,752,960	–49,938	–6,802,898
Carrying amount as at 31 March 2020	**18,867,829**	**200,236**	**19,068,065**

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

Impairment

The COVID-19 pandemic has caused high levels of disruption to the functioning of used-car markets across Europe, with many markets effectively shut and others experiencing abruptly reduced levels of demand and dislocations to used-car prices.

The addition to impairments on Property and Equipment under Operating Lease (lease contracts) is EUR 50 million and is based on an assessment of the value in use of all lease contracts. For our projections we have considered the impact of the COVID-19 crisis and expect that the current low level of residual values/used car prices will last for at least 3 to 4 months and will then gradually recover to pre-COVID price levels towards the end of 2020.

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 million additional impairment for the total remaining duration.

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

Asset backed securitisation transactions

The Group concluded a number of asset backed securitisation transactions hereinafter identified as the Bumper transactions. These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies (which are included in the consolidated financial statements of the Company). As a result of this sale this caption includes encumbered (securitised) operating lease assets amounting to EUR 2.8 billion (year-end 2019: EUR 3.0 billion).

9 Other property and equipment

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

In thousand of euros	31 March 2020	31 December 2019
Owned	108,741	110,422
Leased	295,430	282,512
Total	**404,172**	**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	31 March 2020	31 December 2019
Short-term	40,943	39,569
Long-term	268,592	256,719
Total	**309,534**	**296,289**

Maturity analysis of undiscounted contractual cash flows of lease liabilities:

In thousand of euros	31 March 2020	31 December 2019
Three months or less	11,245	11,023
Longer than three months, less than a year	32,259	32,279
Longer than a year, less than five years	143,537	145,340
Longer than five years	107,263	115,790
Total	**294,303**	**304,433**

10 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	31 March 2020	31 December 2019
Three months or less	5,068,097	5,372,188
Longer than three months, less than a year	2,010,438	1,455,887
Longer than a year, less than five years	894,904	935,395
Longer than five years	119	127
Total	**7,973,556**	**7,763,597**

Savings deposits raised by LeasePlan Bank amounts to EUR 7.9 billion (year-end 2019: EUR 7.7 billion) of which 42.7% (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	31 March 2020	31 December 2019
Three months or less	0.17%	0.20%
Longer than three months, less than a year	0.57%	0.65%
Longer than a year, less than five years	0.94%	1.02%

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

11 Trade and other payables and deferred income

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

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	31 March 2020	31 December 2019
On demand	156,796	209,969
Three months or less	376,646	487,210
Longer than three months, less than a year	1,249,159	889,192
Longer than a year, less than five years	2,251,544	2,492,445
Total	**4,034,144**	**4,078,817**

13 Debt securities issued

This item includes negotiable, interest bearing securities.

In thousands of euros	31 March 2020	31 December 2019
Bond and notes - originated from securitisation transactions	1,925,566	2,133,462
Bonds and notes - other	9,148,092	9,401,398
Bonds and notes - other (AC) fair value adjustments	94,333	47,312
Balance as at reporting date	**11,167,990**	**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 1.1% as of 31 March 2020 (year-end 2019: 1.1%).

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

In thousands of euros	31 March 2020	31 December 2019
Three months or less	1,215,455	264,072
Longer than three months, less than a year	2,469,047	2,824,177
Longer than a year, less than five years	7,261,112	8,271,787
Longer than five years	222,376	222,135
Total	**11,167,990**	**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 and Bumper DE S.A. 2019-I.

14 Commitments

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

The Group has issued guarantees to the total value of EUR 381 million (year-end 2019: EUR 381 million) of which EUR 379 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 169.5 million (year-end 2019: EUR 163.5 million) is drawn as at 31 March 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. The transactions with BCA for the three months period ended 31 March are not material at 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 31 March 2020, an amount of EUR 169.5 million (year-end 2019: EUR 163.5 million) is provided as loans to investments accounted for using the equity method.

16 Fair value of financial instruments

The table below summarises the Group's financial assets and financial liabilities, of which the derivatives are measured at fair value and the other financial assets and other financial liabilities are measured at amortised cost on the balance sheet as at 31 March 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 31 March 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	114,802	–	114,802	114,802
Derivatives financial instruments not in hedge	74,982	–	74,982	74,982
Financial assets not measured at fair value				
Cash and balances at central banks	4,779,690			
Investments in debt securities	24,636	24,499	–	24,499
Receivables from financial institutions	695,898			
Lease receivables from clients	3,334,072	–	3,373,113	3,373,113
Loans to investments using the equity method	169,500	–	170,076	170,076
Investments in equity accounted investments	20,202			
Other receivables and prepayments	411,204	–	411,253	411,253
Total financial assets	**9,624,986**	**24,499**	**4,144,226**	**4,168,725**
Financial liabilities measured at fair value				
Derivatives financial instruments in hedge	45,999	–	45,999	45,999
Derivatives financial instruments not in hedge	198,867	–	198,867	198,867
Financial liabilities not measured at fair value				
Funds entrusted	7,973,556	–	7,898,314	7,898,314
Trade and other payables and deferred income	866,089			
Borrowings from financial institutions	4,034,144	–	4,026,646	4,026,646
Debt securities issued	11,167,990	–	10,997,790	10,997,790
Total financial liabilities	**24,286,646**	**–**	**23,167,617**	**23,167,617**

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 Dec 2019 Debt securities issued (securitised bonds) were shown in level 1. The bond markets are still open and active, although there is a significant decrease in the volume and level of activity for in relation to normal market activity due to the uncertainty around 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 31 March 2020, guarantees had been provided on behalf of the consolidated direct and indirect subsidiaries in respect of commitments entered into by those companies with an equivalent value of EUR 1.8 billion (year-end 2019 2.0 billion). The Company charges a guarantee fee to the respective direct and indirect subsidiaries based on normal market terms.

18 Events occurring after balance sheet date

No other material events occurred after 31 March 2020, that require disclosure in accordance with IFRS, nor events affecting the financial position of the Group as at 31 March 2020 or the result for the three months period ended 31 March 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 31 March 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, 13 May 2020

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

Independent auditor's report

Review report

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements as at 31 March 2020 of LeasePlan Corporation N.V., Amsterdam, as set out on pages 9 to 40 which comprises the condensed consolidated statement of financial position as at 31 March 2020, the condensed statements of profit or loss and comprehensive income, the condensed statements of changes in equity, and cash flows for three-month period ended 31 March 2020, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The Managing Board of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 31 March 2020 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Emphasis of matter

We draw attention to note Recent developments (Covid-19), of the condensed consolidated interim financial statements, which describes management's approach to determine the amount of the impairment of the operating lease portfolio and the valuation allowance for inventory and the key parameters and assumptions to which these captions are most sensitive.

Our conclusion is not qualified in respect of this matter.

Amstelveen, 13 May 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.

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.