

LeasePlan Corporation N.V.

Press release Q1 2023 results



LeasePlan announces Q1 2023 results

AMSTERDAM, the Netherlands, 15 May 2023 – LeasePlan Corporation N.V. (“LeasePlan”; the “Company”), one of the world’s leading Car-as-a-Service (“CaaS”) companies, today reports its Q1 results.

Q1 2023 financial highlights

- **Underlying net result** of EUR 353 million (+25.5%), of which EUR 339 million from **continuing operations** and EUR 14 million from **discontinued operations**¹
- **Net result of EUR 323 million (-10.3%)**² following strong mark-to-market results related to our derivatives in Q1 2022
- **Underlying Lease and Additional Services gross profit** of EUR 621 million (+79.3%), which includes a EUR 218 million positive impact of lower depreciation as a consequence of continuous high prices for used cars
- **PLDV and End of Contract Fees gross profit** of EUR 66 million (-61.6%)³
- **Serviced fleet** growth of 4.6% to a total of 1.7 million vehicles with LeasePlan’s Q1 2023 order book remaining close to record levels⁴
- **Operating expenses** of EUR 237 million (+13.7%) due to continued investments in our operations and digital platforms
- Quarter-end **liquidity buffer** of EUR 8.2 billion
- **Underlying return on equity** of 31.0% (an increase from 19.7% in Q1 2022)⁵

Key numbers

	Q1 2023	Q1 2022	% YoY Growth
VOLUME			
Serviced fleet (thousands), as at 31 March	1,651.0	1,578.3	4.6%
Numbers of vehicles sold (thousands)	63.8	54.0	18.3%
PROFITABILITY			
- Underlying net result from continuing operations	338.8	241.7	40.2%
- Underlying net result from discontinued operations	13.7	39.2	n.m
Underlying net result (EUR Million)	352.6	280.9	25.5%
Net result (EUR Million)	323.1	360.1	-10.3%
Underlying return on equity ⁵	31.0%	19.7%	

¹ Financial statements including historical periods are adjusted for the anticipated divestment of LeasePlan in Czech Republic, Finland and Luxembourg (announced on 28 November 2022) and the divestment of LeasePlan USA (transaction closed per 1 December 2022). The results from these businesses are reported in *the financial statements – Underlying net result from discontinued operations*.

² Primarily driven by movements in the marking to market of derivatives held to maturity for hedging purposes.

³ The 2023 Q1 PLDV result includes a EUR 128 million impact of margin already recognized under lease and additional services gross profit as part of the prospective depreciation adjustment for cars sold in Q1 2023.

⁴ Serviced fleet volume is like-for-like including current assets held for sale but excluding the LeasePlan USA divestment.

⁵ Underlying RoE is based on last-twelve-month underlying net result and equity excluding the additional Tier 1 instrument. Including the AT1, RoE is 28.7% for Q1 2023 and 18.4% for Q1 2022.

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

“Demand for sustainable car subscriptions continued to drive strong growth across all customer segments, with EVs reaching 31% of all new deliveries in the first quarter. The strong used car market also contributed to the excellent results. To capture the accelerated market growth ahead, we continued to make progress in our digital transformation, enabling us to deliver digital services at digital cost levels. Highlights included the folding in of additional countries to our optimized LCV fleet management platform, as well as the further rollout of automated maintenance approvals based on AI within our RMT processes. We were also proud to have received recognition for our sustainability efforts, with improvements seen across all key sustainability rating platforms: CDP, Ecovadis and Sustainalytics.

Our merger with ALD is scheduled to close on May 22, with talents from both businesses ready to take full advantage of the acceleration of demand for car subscriptions.”

Financial Performance⁶

<i>In millions of euros, unless otherwise stated</i>	Q1 2023	Q1 2022	% YoY Growth
Lease and Additional Services income	1,722.7	1,526.2	12.9%
Vehicle Sales and End of contract fees	966.7	810.6	19.3%
Revenues	2,689.3	2,336.8	15.1%
Underlying cost of revenues	2,002.1	1,818.2	10.1%
Lease Services	386.2	154.7	149.6%
Fleet Management and other Services	63.9	41.8	52.7%
Repair and Maintenance Services	74.6	64.9	15.0%
Damage Services and Insurance	96.5	85.1	13.4%
Underlying Lease and Additional Services gross profit	621.2	346.5	79.3%
End of contract fees	31.1	26.7	16.5%
Profit/Loss on disposal of vehicles ⁷	34.9	145.4	-76.0%
Profit/Loss on disposal of vehicles and End of contract fees gross profit	66.0	172.1	-61.6%
Underlying gross profit	687.2	518.6	32.5%
Underlying operating expenses	237.0	208.4	13.7%
Other income	2.9	2.4	18.7%
Share of profit of investments accounted for using the equity method	1.3	1.3	1.8%
Underlying profit before tax	454.4	313.9	44.8%
Underlying tax	115.6	72.2	60.2%
Underlying net result from continuing operations	338.8	241.7	40.2%
Underlying net result from discontinued operations	13.7	39.2	n.m
Underlying net result	352.6	280.9	25.5%
Underlying adjustments	-29.5	79.2	n.m
Reported net result	323.1	360.1	-10.3%
Staff (FTE's at period end) ⁸	7,920	7,529	5.2%

⁶Financial statements including historical periods are adjusted for the anticipated divestment of LeasePlan in Czech Republic, Finland and Luxembourg (announced on 28 November 2022) and the divestment of LeasePlan USA (transaction closed per 1 December 2022). The results from these businesses are reported in *the financial statements – Underlying net result from discontinued operations*, with the results of LeasePlan USA included up to November 2022.

⁷The Q1 2023 PLDV result includes a EUR 128 million impact of margin already recognized under lease and additional services gross profit as part of the prospective depreciation adjustment for cars sold in Q1 2023.

⁸FTEs are like-for-like including current assets held for sale but excluding LeasePlan USA divestment.

Financial Performance Q1

Serviced fleet of 1.7 million vehicles (+4.6%) with LeasePlan's Q1 2023 order book remaining close to record levels.

Revenues increased by 15.1% to EUR 2,689 million. **Lease and Additional Services income** was up 12.9% to EUR 1,723 due to fleet growth, increases in interest income and additional services mainly from RMT. **Vehicle Sales and End of contract fees** increased by 19.3% to EUR 967 million mainly due to higher cars sold volumes.

Underlying Lease and Additional Services gross profit was up 79.3% to EUR 621 million mainly driven by serviced fleet growth, stronger results across all service lines, and a reduction of depreciation (EUR 218 million). The prospective depreciation adjustment is a result of the continued strong used car market environment, which is expected to remain strong. Subsequently, the residual value of our fleet was reviewed and adjusted upwards. As a result, a prospective depreciation adjustment was recorded that decreased the depreciation during the period. The depreciation adjustment is applied to cars sold from Q1 2023 onwards.

PLDV and EOCF gross profit was down 61.6% to EUR 66 million driven by the margin already recognized under lease and additional services gross profit as part of the prospective depreciation adjustment for cars sold in Q1 2023 (EUR 128 million). Excluding this effect, gross profit increased due to a higher volume of cars sold while pricing in the used-car market continued to remain strong.

Underlying operating expenses were up 13.7% to EUR 237 million due to continued investments in our operations and digital platforms.

The underlying tax rate was up 2.4 percentage points to 25.4% in Q1 2023 driven by the blend of statutory tax rates and reflecting the update of historical tax positions in the UK.

Underlying net result from continuing operations was up 40.2% to EUR 339 million and includes a net gain of EUR 69 million as part of the prospective depreciation adjustment⁹.

Underlying net result from discontinued operations of EUR 14 million from the anticipated divestments of LeasePlan Czech Republic, Finland and Luxembourg.

Underlying net result was up 25.5% to EUR 353 million due to strong performance in lease and additional services and the continued strong used-car market.

Reported net result was down 10.3% to EUR 323 million, mainly due to EUR -29 million of underlying adjustments from a net EUR -32 million of mark-to-market impact of derivatives used for hedging, as well as net EUR -10 million in costs mainly related to the proposed acquisition of LeasePlan by ALD and our transition to ECB supervision. This is offset by net EUR 10 million higher investment value in Constellation and SG Fleet driven by global stock market conditions.

⁹ Pre-tax impact of EUR 90 million in Q1, consisting of EUR 218 million depreciation adjustments related to cars sold from Q1 2023 onwards, offset by EUR 128 million reduction in used car result related to cars terminated in Q1 2023 of which the margin was already recognized under lease and additional gross profit.

Operational Highlights

Demand for sustainable car subscriptions drove strong growth across all segments in Q1, with fleet growth reaching 4%. To capture the accelerated market growth ahead, we continued to make progress in our digital transformation, enabling us to deliver digital services at digital cost levels. Highlights included the folding in of additional countries to our optimized LCV fleet management platform, as well as the further rollout of automated maintenance approvals based on AI within our RMT processes. On the sustainability front, we were proud to achieved improvements across all key rating platforms. Our CDP score improved from a 'C' to a 'B'; Ecovadis from 60 to 62 (silver rating); and Sustainalytics from 15.9 to 13.7 (Low Risk). Today, 31% of all new deliveries are a zero emission EV. Going forward, LeasePlan's EV offering will be further strengthened by our collaboration with VinFast, which was rolled out to France in Q1.

ALD has announced that its Extraordinary General Meeting will take place on 22 May 2023. The closing of the acquisition of LeasePlan by ALD would take place on the same day.

Funding and Capital Position

The most notable transaction in Q1 was in the secured space in February, with the pricing of a EUR 500 million public benchmark transaction supported by underlying lease and residual value receivables from LeasePlan's German portfolio. Given the robust liquidity buffer, senior unsecured activity was deliberately pared back in the quarter, but the company was happy to accommodate demand for EUR 15 million of Private Placement interest from one of our investors. Retail deposits grew modestly with an increase of EUR 352 million in the quarter to finish the period with a balance at the Retail Bank of EUR 11.1 billion. The resulting quarter end liquidity buffer was EUR 8.2 billion made up of EUR 6.8 billion in cash as well as access to the undrawn EUR 1.375 billion Revolving Credit Facility.

The CET1 ratio as per 31 March 2023 was 15.6%¹⁰ calculated at the regulatory sub-consolidated level (LeasePlan Corporation N.V. consolidated). At this sub-consolidated level, the Total Capital ratio is 17.8% which is equal to the Tier 1 capital ratio.

Following the close of the quarter, in April, LeasePlan Corporation N.V. declared and paid a dividend in the amount of EUR 460.7 million to its shareholder LP Group B.V. related to the net result of Q3'22. This payment has had no effect on the CET1 ratio as it was paid out of retained earnings which had not been allocated to CET1.

There were no rating actions in the period.

¹⁰ CET1 ratio at the regulatory Consolidated level (LP Group B.V. consolidated) is 16.0% and CET1 ratio at the regulatory Solo level (LeasePlan Corporation N.V.) is 15.2% as of 31 March 2023.

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About LeasePlan

LeasePlan is a global leader in Car-as-a-Service, with approximately 1.7 million vehicles under management in 28 countries. LeasePlan 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. LeasePlan is committed to taking a leadership role in the transition to zero-emission mobility and has set itself the ambitious goal of achieving net zero tailpipe emissions from its funded fleet by 2030. With 60 years of 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

<i>In thousands of euros</i>	Note	Q1 2023	Q1 2022*
Operating lease income		1,024,701	954,582
Finance lease and Other interest income		75,315	17,708
Additional services income		625,389	553,926
Vehicle sales and End of contract fees		966,651	810,566
Revenues	2	2,692,055	2,336,781
Depreciation cars		563,980	756,945
Finance cost		138,097	58,702
Unrealised (gains)/losses on financial instruments		35,715	-114,934
Impairment charges on loans and receivables		9,029	1,905
Lease cost		746,821	702,618
Additional services cost		397,188	362,123
Vehicle and Disposal cost		900,604	638,480
Direct cost of revenues	2	2,044,613	1,703,221
Lease services		353,194	269,672
Additional services		228,201	191,803
Profit/Loss on disposal of vehicles and End of contract fees		66,047	172,085
Gross profit	2	647,442	633,560
Staff expenses		154,404	119,352
Other operating expenses		68,539	79,148
Other depreciation and amortisation		26,385	19,174
Total operating expenses		249,327	217,674
Share of profit of investments accounted for using the equity method		1,302	1,280
Other income	1	12,381	3,190
Profit before tax		411,798	420,355
Income tax expenses		102,440	99,447
Net result from continuing operations		309,358	320,909
Net result from discontinued operations		13,749	39,171
Net result for the period		323,107	360,080
<i>Attributable to:</i>			
Equity holders of parent		313,938	350,911
Holders of AT1 capital securities		9,169	9,169

*Comparative information has been represented due to discontinued operations.

Condensed consolidated statement of comprehensive income

For the period ended 31 March

<i>In thousands of euros</i>	Q1 2023	Q1 2022*
Net result	323,107	360,080
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange rate differences	-19,072	9,056
Other comprehensive income, net of income tax	-19,072	9,056
Total comprehensive income for the year	304,035	369,135
<i>Comprehensive income attributable to:</i>		
Owners of the parent	294,866	359,966
Holders of AT1 capital securities	9,169	9,169
<i>Comprehensive income attributable to owners of the parent arises from:</i>		
Continuing operations	278,953	314,238
Discontinued operations	15,913	45,728

*Comparative information has been represented due to discontinued operations.

Condensed consolidated statement of financial position

<i>In thousands of euros</i>	Note	31 March 2023	31 December 2022
<i>Assets</i>			
Cash and balances at central banks		6,221,458	7,117,329
Investments in equity and debt securities		132,462	123,141
Receivables from financial institutions		918,288	887,511
Derivative financial instruments		480,661	545,140
Other receivables and prepayments		1,314,408	1,260,822
Inventories		264,490	265,049
Corporate income tax receivable		14,555	27,124
Loans to investments accounted for using the equity method		91,500	110,500
Lease receivables from clients		2,069,886	2,045,230
Property and equipment under operating lease, rental fleet and vehicles available for lease	3	20,819,833	20,150,395
Other property and equipment		234,458	240,714
Investments accounted for using the equity method		19,407	18,421
Intangible assets		493,964	465,881
Deferred tax asset		124,561	137,821
Assets classified as held-for-sale		1,140,723	1,125,167
Total assets		34,340,653	34,520,246

Condensed consolidated statement of financial position - continued

<i>In thousands of euros</i>	Note	31 March 2023	31 December 2022
<i>Liabilities</i>			
Funds entrusted		11,206,792	10,852,278
Derivative financial instruments		487,504	549,831
Trade and other payables and Deferred income		2,560,782	3,642,060
Corporate income tax payable		71,647	45,307
Borrowings from financial institutions		2,913,281	3,032,320
Lease liabilities		163,600	168,805
Debt securities issued		9,379,907	9,055,215
Provisions		594,263	622,418
Deferred tax liabilities		505,936	473,165
Liabilities directly associated with the assets held-for-sale		528,510	510,636
Total liabilities		28,412,222	28,952,035
<i>Equity</i>			
Share capital		71,586	71,586
Share premium		506,398	506,398
Other reserves		-42,720	-63,622
Retained earnings		4,886,061	4,555,912
Equity of owners of the parent		5,421,325	5,070,273
AT1 capital securities		507,106	497,937
Total equity		5,928,431	5,568,210
Total equity and liabilities		34,340,653	34,520,246

Condensed consolidated statement of changes in equity

<i>In thousands of euros</i>	Share capital	Share premium	Other reserves	Retained earnings	Equity of owners of the parent	AT1 capital securities	Non-controlling interest	Total equity
Balance as at 1 January 2022	71,586	506,398	-147,872	3,851,843	4,281,955	497,937	-	4,779,892
Net result	-	-	-	360,080	360,080	-	-	360,080
Transfer - accrued interest on AT1 capital securities	-	-	-	-9,169	-9,169	9,169	-	-
Other comprehensive income	-	-	9,056	-	9,056	-	-	9,056
Total comprehensive income	-	-	9,056	350,911	359,966	9,169	-	369,135
Balance as at 31 March 2022	71,586	506,398	-138,816	4,202,754	4,641,921	507,106	-	5,149,027
Balance as at 31 December 2022	71,586	506,398	-63,622	4,555,912	5,070,273	497,937	-	5,568,210
Restatement due to hyperinflation	-	-	39,974	-	39,974	-	-	39,974
Restatement due to IFRS 17	-	-	-	16,212	16,212	-	-	16,212
Balance as at 1 January 2023	71,586	506,398	-23,648	4,572,123	5,126,459	497,937	-	5,624,396
Net result	-	-	-	323,107	323,107	-	-	323,107
Transfer - accrued interest on AT1 capital securities	-	-	-	-9,169	-9,169	9,169	-	-
Other comprehensive income	-	-	-19,072	-	-19,072	-	-	-19,072
Total comprehensive income	-	-	-19,072	313,938	294,866	9,169	-	304,035
Balance as at 31 March 2023	71,586	506,398	-42,720	4,886,061	5,421,325	507,106	-	5,928,431

Accrued interest in 2023 on AT1 capital securities amounts to EUR 9.1 million. The total interest amount of EUR 12.5 million, that includes EUR 3.4 million accrued in 2022, is payable in May 2023, 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

<i>In thousands of euros</i>	Note	2023	2022
<i>Operating activities</i>			
Net result		323,107	360,080
<i>Adjustments</i>			
Interest income and expense		85,794	40,155
Other financial (gain)		-2,450	-2,433
Impairment charges on receivables		8,295	1,734
Gain on monetary positions on hyperinflation		-18,041	-
Valuation allowance on inventory		-	814
Depreciation and impairment operating lease portfolio and rental fleet	3	782,278	852,299
Insurance expense		123,625	101,467
Depreciation other property plant and equipment		14,051	12,894
Amortisation and impairment on intangibles		13,371	8,268
Share of profit in equity accounted investments		-1,302	-1,280
Financial instruments at fair value through profit and loss		25,784	-115,691
Income tax expense		105,727	111,571
<i>Changes in</i>			
Provisions		-125,064	-88,085
Derivative financial instruments		10,062	-15,411
Trade and other payables and other receivables		-1,173,616	-114,690
Inventories		279,089	304,288
Amounts received disposing objects under operating lease	3	434,714	515,561
Amounts paid acquiring objects under operating lease	3	-2,180,962	-1,840,298
Acquired new finance leases		-152,216	-293,537
Repayment finance leases		139,970	259,940
Income taxes received		1,305	1,381
Income taxes paid		-24,751	-14,584
Interest received		57,742	27,495
Interest paid		-128,254	-70,887
Net cash inflow/(outflow) from operating activities		-1,401,744	41,051

Condensed consolidated statement of cash flows – continued

For the period ended 31 March

<i>In thousands of euros</i>	Note	2023	2022
<i>Investing activities</i>			
Net investment in equity and debt securities		610	-889
Redemption on loans to equity accounted investments		19,000	24,500
Dividend received from ass. JVs and other equity investments		2,450	2,433
Proceeds from sale of other property and equipment		4,438	4,487
Acquisition of other property and equipment		-8,196	-14,755
Acquisition of intangibles assets		-41,364	-44,801
Net cash outflow from investing activities		-23,063	-29,025
<i>Financing activities</i>			
Receipt from receivables from financial institutions		168,707	200,048
Balances deposited to financial institutions		-148,225	-217,015
Receipt of borrowings from financial institutions		641,674	705,132
Repayment of borrowings from financial institutions		-720,485	-834,269
Receipt of funds entrusted		1,402,427	752,690
Repayment of funds entrusted		-1,047,913	-566,251
Receipt of debt securities		564,521	53,761
Repayment of debt securities		-233,731	-837,837
Payment of lease liabilities		-9,889	-10,225
Dividends paid to Company's shareholders		-	-372,432
Net cash inflow from financing activities		617,086	-1,126,398
Cash and balances with banks as at 1 January		7,591,454	5,862,200
Net movement in cash and balances with banks		-807,721	-1,114,372
Exchange gains/(losses) on cash and balances at banks		-465	153
Cash and balances with banks as at 31 March		6,783,268	4,747,981



Notes regarding financial information presented in this press release

Presentation

All amounts are in thousands of euros unless otherwise stated. Due to rounding, amounts may not add up precisely to totals provided. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2022, unless otherwise stated in paragraph Changes in accounting policies. These condensed consolidated interim financial statements do not include Company financial statements. These condensed consolidated interim financial statements have not been reviewed or audited.

IFRS 17 Insurance contracts

The Group has implemented IFRS 17 'Insurance contracts' (as issued by the IASB on 18 May 2017) including Amendments to IFRS 17 (issued on 25 June 2020). The standard is effective after 1 January 2023 and is endorsed by the EU as per 19 November 2021.

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).
- A simplified premium allocation approach 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 premium allocation approach is quite similar to current accounting under IFRS 4 for non-life products.
- 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.
- 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 has assessed the impact on shareholders' equity and comprehensive income due to adoption of IFRS 17 at approximately EUR 16 million. Most of the insurance contracts have a coverage period of one year or less and therefore the Group opts to apply the premium allocation approach. The changes in revenue recognition and measurement of insurance liabilities under the new standard, such as requirements for initial recognition, discounting, risk adjustment and allocation of overhead expenses, have no significant impact on equity and comprehensive income.

Other changes

The following amendments to standards, endorsed by the EU, become effective after 1 January 2023. The changes relate to:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021).
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021).
- The following amendments to standards are not yet endorsed by the EU and become effective after 1 January 2023. Those changes relate to:
- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current (issued on 23 January 2020 and 15 July 2020). The IASB has issued an exposure draft to defer the effective date from 1 January 2023 to 1 January 2024.

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

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 the same as those applied to the consolidated financial statements for the year ended 31 December 2022.

Seasonality and cyclicity

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

Specific notes

All amounts are in thousands of euros, unless stated otherwise

1 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, 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, 2023 and 2022 is included in the tables below:

<i>In thousands of euros</i>	IFRS results	Underlying adjustments			Underlying results 31
	31 March 2023	Restructuring and other special items ¹	Unrealised results on financial instruments ²	Asset impairments and valuation allowance	March 2023
Revenues	2,692,055		-2,710		2,689,345
Direct cost of revenues	2,044,613	-	-42,514	-	2,002,099
Gross profit	647,442	-	39,804	-	687,246
Total operating expenses	249,327	-12,297	-	-	237,030
Other income	12,381		-9,494		2,887
Share of profit of investments accounted for using the equity method	1,302				1,302
Profit before tax	411,798	12,297	30,310	-	454,406
Income tax expenses	102,440	2,751	10,401	-	115,592
Net result from continuing operations	309,358	9,547	19,909	-	338,814
Net result from discontinued operations	13,749		-		13,749
Net result for the period	323,107	9,547	19,909	-	352,563

¹ Includes professional consultancy costs related to ECB transition (EUR 3.0 million), M&A projects costs (EUR 6.9 million) and other consulting (EUR 2.4 million) for a total of EUR 12.3 million before tax (EUR 9.5 million after tax).

² Includes EUR 9.9 million fair value loss on equity instruments included in other income.

<i>In thousands of euros</i>	IFRS results 31 March 2022	Underlying adjustments			Underlying results 31 March 2022
		Restructuring and other special items ¹	Unrealised results on financial instruments	Asset impairments and valuation allowance ²	
Revenues	2,336,781				2,336,781
Direct cost of revenues	1,703,221	-	114,934	-	1,818,155
Gross profit	633,560	-	-114,934	-	518,626
Total operating expenses	217,674	-10,538		1,295	208,430
Other income	3,190		-757	-	2,433
Share of profit of investments accounted for using the equity method	1,280				1,280
Profit before tax	420,355	10,538	-115,691	-1,295	313,908
Income tax expenses	99,447	2,626	-29,574	-324	72,175
Net result from continuing operations	320,909	7,912	-86,117	-971	241,734
Net result from discontinued operations	39,171		-		39,171
Net result for the period	360,080	7,912	-86,117	-971	280,905

¹ Includes professional consultancy costs related to ECB transition (EUR 7.8 million) and other consulting (EUR 2.7 million) for a total of EUR 10.5 million before tax (EUR 7.9 million after tax).

² Includes impairment release on non current assets for a total of EUR 1.3 million before tax (EUR 1.0 million after tax).

2 Revenues and direct cost of revenues

Revenues

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

<i>In thousands of euros</i>	Q1 2023	Q1 2022
Operating lease income	1,024,701	954,582
Finance lease and Other interest income	75,315	17,708
Additional services income	625,389	553,926
Vehicle sales and End of contract fees	966,651	810,566
Revenues	2,692,055	2,336,781

Finance lease and Other interest income for the three months period ended 31 March 2023, includes an amount of EUR 3.0 million (3M 2022: EUR 2.8 million) related to Other interest income and includes a gain of EUR 18.0 million on the net monetary position in the reporting period due to hyperinflation accounting of Leaseplan Turkey.

Operating lease income for the three months period ended 31 March 2023, includes an amount of EUR 206.6 million (3M 2022: EUR 163.0 million) related to interest income.

Direct cost of revenues

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

<i>In thousands of euros</i>	Note	Q1 2023	Q1 2022
Depreciation cars ¹		567,014	757,228
Impairment charge operating lease assets ²	3	-3,034	-283
Finance cost		138,097	58,702
Unrealised (gains)/losses on financial instruments		35,715	-114,934
Impairment charges on loans and receivables		9,029	1,905
Lease cost		746,821	702,618
Additional services cost		397,188	362,123
Vehicle and Disposal costs		900,604	638,480
Direct cost of revenues		2,044,613	1,703,221

¹ Includes the impact of prospective depreciation as a result of changes in estimates related to used-car market, Q1 2023 EUR 218 million (Q1 2022: EUR nil)

² Impairment on operating lease assets is included in line-item Depreciation cars in the consolidated statement of profit or loss.

Gross profit (net lease income and vehicles sales income)

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

<i>In thousands of euros</i>	Note	Q1 2023	Q1 2022
Lease services		385,875	154,455
Impairment charge operating lease assets ²	3	3,034	283
Unrealised gains/(losses) on financial instruments		-35,715	114,934
Lease		353,194	269,672
Fleet management and other services		57,074	41,823
Repair and maintenance services		74,586	64,882
Damage services ³		67,379	85,098
Insurance services ³		29,163	-
Additional services		228,201	191,803
End of contract fees		31,103	26,708
Profit/(loss) on disposed vehicles (PLDV)		34,944	145,378
Profit/(loss) on disposed vehicles and End of contract fees		66,047	172,085
Gross profit		647,442	633,560

2 Impairment on operating lease assets is included in line-item Depreciation cars in the consolidated statement of profit or loss.

3 Q1 2022 Damage services and insurance were under IFRS4. Starting with 2023 IFRS17 guidelines applies

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:

<i>In thousands of euros</i>	Q1 2023	Q1 2022
Operating lease - interest income	206,646	162,957
Finance lease and Other interest income	75,315	17,708
Finance cost	-137,772	-58,702
Insurance finance cost	-325	-
Net interest income	143,863	121,962
Unrealised gains/(losses) on financial instruments	-35,715	114,934
Impairment charges on loans and receivables	-9,029	-1,905
Net finance income	99,119	234,992

3 Property and equipment under operating lease, rental fleet and vehicles available for lease

<i>In thousands of euros</i>	Operating lease	Rental fleet	Vehicles available for lease	Total
Carrying amount as at 1 January 2022	19,088,362	268,431	383,115	19,739,908
Purchases/additions	1,439,805	55,622	344,870	1,840,298
Disposals	-508,533	-7,028	-	-515,561
Transfer from vehicles available for lease	383,115	-	-383,115	-
Transfer to inventories	-257,290	-	-	-257,290
Depreciation	-839,302	-13,279	-	-852,582
Impairment charge	-1,819	-	-	-1,819
Impairment reversal	2,102	-	-	2,102
Currency translation adjustments	40,534	-1,052	1,241	40,722
Carrying amount as at 31 March 2022	19,346,973	302,693	346,111	19,995,778
Cost	26,821,798	387,751	346,111	27,555,660
Accumulated depreciation	-7,474,825	-85,058	-	-7,559,883
Carrying amount as at 31 March 2022	19,346,973	302,693	346,111	19,995,778
Restatement due to hyperinflation	277,551	10,361	3,879	291,791
Sale of subsidiary	-329,709	-	-224,524	-554,233
Purchases/additions	4,854,110	295,814	670,670	5,820,594
Disposals	-1,803,338	-31,824	-	-1,835,162
Transfer from vehicles available for lease	349,990	-	-349,990	-
Transfer to inventories	-4,107	-	-	-4,107
Transfer to assets held for sale	-942,064	-12,957	-	-955,021
Depreciation	-2,250,197	-58,033	-	-2,308,229
Impairment charge	-1,925	-	-	-1,925
Impairment reversal	33,852	-	-	33,852
Currency translation adjustments	-319,935	-10,991	-2,016	-332,943
Carrying amount as at 31 December 2022	19,211,202	495,064	444,129	20,150,395
Cost	26,351,463	615,673	444,129	27,411,266
Accumulated depreciation	-7,140,261	-120,609	-	-7,260,870
Carrying amount as at 31 December 2022	19,211,202	495,064	444,129	20,150,395

<i>In thousands of euros</i>	Operating lease	Rental fleet	Vehicles available for lease	Total
Carrying amount as at 31 December 2022	19,211,202	495,064	444,129	20,150,395
Restatement due to hyperinflation	62,840	2,630	2,453	67,922
Carrying amount as at 1 January 2023	19,274,042	497,694	446,582	20,218,317
Purchases/additions	1,617,077	83,294	480,592	2,180,962
Disposals	-402,961	-31,753	-	-434,714
Transfer from vehicles available for lease	446,582	-	-446,582	-
Transfer to inventories	-261,296	-	-	-261,296
Depreciation	-761,871	-23,441	-	-785,312
Impairment charge	-2,002	-	-	-2,002
Impairment reversal	5,036	-	-	5,036
Transfer to assets held for sale	-43,467	-7	-	-43,474
Currency translation adjustments	-58,026	518	-177	-57,685
Carrying amount as at 31 March 2023	19,813,113	526,305	480,415	20,819,833
Cost	26,899,801	655,959	480,415	28,036,176
Accumulated depreciation	-7,086,689	-129,654	-	-7,216,342
Carrying amount as at 31 March 2023	19,813,113	526,305	480,415	20,819,833

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

Impairment

The net impairment reversal for the three-months period ended 31 March 2023 amounts to EUR 3.0 million related to reversal of book value losses on early terminated cars for defaulted operating lease customers.

The impairment analysis is based on an assessment of the value in use of all lease contracts. For our projections of cash flows, including the cash flows from residual values upon termination of the lease contract, we considered the semiconductor shortage, rising inflation, and appalling events in Ukraine. The recoverable amount related to impaired lease agreements amounted to EUR 125.1 million as at 31 March 2023 (31 December 2022: EUR 116 million).

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 0.8 million additional impairment for the total remaining duration.

Prospective depreciation adjustment

During the period, as a result of the continued strong used car market environment, which is expected to remain strong till the end of next year, the residual values were reviewed and adjusted upwards. As a result, a prospective depreciation adjustment in amount of EUR 218 million was recorded that decreased the depreciation during the period. The adjustment relates to vehicles that are expected to be terminated in 2023 and beyond.

Asset backed securitisation transactions

The Group concluded a number of asset backed securitisation transactions hereinafter identified as the Bumper transactions. These transactions involve the sale of future lease instalment receivables and related residual value receivables originated by various LeasePlan subsidiaries to special purpose companies (which are included in the consolidated financial statements of the Company). As a result of this sale this caption includes encumbered (securitised) operating lease assets amounting to EUR 3.6 billion (year-end 2022: EUR 3.1 billion).