Press release

21 August 2019

Stern books record profit due to sale of SternLease

Stern Groep N.V., the Dutch listed automotive group, announces its results for the first half of 2019.

Key points in H1-2019

- **Profit after tax in H1-2019 € 27.0 million (H1-2018: € 4.7 million);**
- **This includes the net book gain on the sale of SternLease BV of € 23.4 million;**
- **Profit after tax from continuing operations in H1-2019: € 1.1 million (H1-2018: € 2.1 million);**
- **Operating profit from continuing operations in H1-2019: € 5.2 million (H1-2018: € 4.5 million);**
- **Net revenue down 7.0% to € 492.2 million (H1-2018: € 529.4 million);**
- **Operating profit at Dealergroup Stern in H1-2019: € 4.8 million (H1-2018: € 4.7 million);**
- **Market share in passenger cars at 5.0% (H1-2018: 5.0%), market share in light commercial vehicles rises to 7.9% (H1-2018: 6.9%);**
- **After distribution of an interim dividend of € 2.50, net asset value per share rose to € 28.86 at the end of June 2019 (year-end 2018: € 27.34);**
- **Refinancing completed at the end of May 2019, new loan agreement with term until mid-2022.**

Henk van der Kwast, Chief Executive Officer:

"We are delighted with the proceeds of the sale of SternLease. The structuring of our partnership with ALD Automotive is well under way, and looks to be very promising. Sales of new cars are well down this year compared to last year nation-wide, and this pressured our result, especially at Dealergroup Stern. The progress we are making behind the scenes with important efficiency improvements and the digitalisation of our business is more important for the longer term."

General note

IFRS 16 (recognition of lease obligations in the balance sheet) came into effect in 2019. To enable a realistic comparison with the results in 2018, all results are shown with and without application of IFRS 16.
The figures for SternLease B.V. and Mango Mobility B.V. in 2019 are classified as discontinued operations, due to the already completed sale of SternLease B.V. on 31 May 2019 and the proposed sale of the Mango Mobility operations.
The figures for 2018 in this press release have been adjusted for the purpose of comparison.

Progress in continuing operations in H1-2019

Net revenue declined by 7.0% compared to H1-2018 to € 492.2 million. This was mainly due to lower revenue from sales at Dealergroup Stern in line with a weaker market, as well as the sale of Arend Auto Amsterdam and the closure of 2 Vireo Auto branches. Partly due to this decline in revenue, the **gross profit** was down by € 1.9 million (2.1%). The gross margin was 18.1%, compared to 17.2% in H1-2018. This improvement in the relative margin was due to change in the ratio of revenue from sales to revenue from after-sales. A higher relative margin is realised on revenue from after-sales (such as workshops and parts) than from revenue from sales (cars).
Other operating income was € 3.0 million lower compared to H1-2018. The decline was due among other things to a € 0.9 million lower revaluation of income and dividend on the interest in Bovemij and a € 0.8 million decline in the book profit on the sale of real estate.
Employee expenses were 4.3% lower than in H1-2018, despite the CLA increases of 0.75% as of 1 July 2018 and 3.2% as of 1 February 2019 and despite the reorganisation expenses of around € 0.5 million recognised in H1-2019. The decrease in employee expenses was due to the reduction of the number of FTEs, mainly due to organic downsizing, but also as a result of the sale of Arend Auto Amsterdam at the end of Q3-2018. The number of FTEs is now more than 90 lower than at year-end 2018. **Operating expenses** (adjusted for the changes in presentation due to IFRS 16) were 5.4% lower than in H1-2018, partly due to cost-saving programmes already initiated in Q4-2018. Profit after tax from continued operations came to € 1.1 million (H1-2018: € 2.1 million).

Highlights Dealergroup Stern

226,000 new passenger cars were registered in the Netherlands in H1-2019, a decline of 10.5% compared to H1-2018. Only 21.4% of these registered cars were sold to private customers, compared to 36.8% in 2016. 44,000 new light commercial vehicles were registered in the Netherlands in H1-2019, an increase of 0.5% compared to H1-2018.
In organic terms, the market share of Dealergroup Stern for passenger cars remained stable at 5.0% (H1-2018 adjusted for the sale of Arend Auto Amsterdam and closure of 2 Vireo Auto branches). The market share of Dealergroup Stern for light commercial vehicles stands at 7.9% (compared to 6.9% in H1-2018, adjusted for the sale of Arend Auto Amsterdam).
Revenue at Dealergroup Stern declined on balance by € 37.6 million (6.7%) to € 522.9 million. Half of this decrease was due to the weaker market, and the other half to the stated closures and divestments in 2018.
The relative margin on sales of new passenger cars remained the same, despite the decline in the number of cars sold to private customers. Partly as a result of the limited availability of engineers, the decision to no longer hire freelance engineers and the sale of Arend Auto Amsterdam last year and the closure of 2 Vireo Auto branches, revenue from workshops was slightly lower than in H1-2018. The margin on after-sales (workshops and parts), however, increased, due to realised efficiency improvements and lower failure and goodwill costs as a result of the Fast Forward project. Employee expenses were down 2.3% in organic terms, despite the CLA increases and the reorganisation expenses. Operating expenses were lower in organic terms, partly due to the cost-saving programmes initiated at the end of 2018.
Dealergroup Stern accordingly realised an **operating profit** (EBIT) of € 4.8 million in H1-2019 (H1-2018: € 4.7 million).
The **balance sheet total** of Dealergroup Stern at 30 June 2019 stood at € 291.9 million, down 2.9% on year-end 2018 and 6.8% lower than at 30 June 2018.

Highlights Stern Mobility Solutions

The figures for SternLease B.V. and Mango Mobility B.V. in 2019 are classified as discontinued operations, due to the already completed sale of SternLease B.V. on 31 May 2019 and the proposed sale of the Mango Mobility operations. The comparative figures for 2018 have been adjusted.
The Stern Mobility Solutions segment now consists mainly of the rental operations (SternRent).
This segment also includes the SternPartners operations. The majority of these operations were converted into SternLease contracts in H1-2019, and included in the sale at the end of May 2019. We expect to fully discontinue the operations of SternPartners by the end of 2019. The number of contracts at 30 June 2019 was approximately 200 (year-end 2018: 686 contracts).
The **operating profit** (EBIT) of Stern Mobility Solutions came to € 0.2 million (H1-2018: € 0.1 million). The rental fleet of SternRent consisted of 2,720 vehicles at 30 June 2019, 5.9% larger than at year-end 2018. The **balance sheet total** at 30 June 2019 was € 59.3 million.

Highlights Stern Car Services

This segment consists of SternPoint (car body repairs, minor repairs and light commercial vehicle interiors).
The SternPoint operations at Bunnik were merged with the operations of SternPoint Houten for reasons of efficiency in H1-2019. The premises at Bunnik will be sold. We expect the new (large) SternPoint branch in Amsterdam West (Radarweg) to be completed at the beginning of 2020. All the car body repair operations of SternPoint in Amsterdam will then be merged into this branch. The current SternPoint branch in Amsterdam Noord will then be closed.
Revenue at SternPoint was down 3.0% compared to H1-2018. This (temporary) decline was partly due to the merging of the operations of the car body repair branches in Amsterdam Zuidoost and Amsterdam West at that time with the branches in Amstelveen and Amsterdam Noord.
The number of SternPoint branches currently stands at 16. Stern Car Services aims to achieve national relevance with a network of larger car body repair branches with carefully selected brand certifications on a geographical basis.

The **operating profit** (EBIT) of Stern Car Services came to € 0.1 million positive in H1-2019, a clear improvement compared to H1-2018. The decline in revenue in H1-2019 was offset by significant efficiency improvements. We expect the operating result in H2-2019 to show a clear improvement on H2-2018, as a result of already realised efficiency improvements and the additional car body repair revenue that will come from the long-term partnership with ALD Automotive.

Highlights Other

The operating profit of the Other segment was € 0.2 million in H1-2019 compared to € 0.1 million in H1-2018. This includes holding costs not recharged, which were significantly lower in H1-2019 than in H1-2018, mainly due to the lower number of FTEs.
These cost savings were offset by lower other operating income. In H1-2019, there was € 0.9 million lower income from revaluation and dividend on the interest in Bovemij and a € 0.8 million decline in the book profit on the sale of real estate.

Profit after tax from discontinued operations

The profit from discontinued operations in H1-2019 consists of:

	H1-2019	H1-2018
Operating profit SternLease B.V.	4,283	3,860
Profit from sale of SternLease B.V.	23,444	-
Operating profit Mango Mobility B.V.	(1,089)	(422)
Profit before tax	**26,638**	**3,438**
Income taxes	(687)	(860)
Profit from discontinued operations	**25,951**	**2,578**

For the composition of the € 23.4 million book profit on the sale of the shares in Stern Lease B.V., see the accompanying IAS-34 disclosure. The final number of lease contracts transferred on 31 May 2019 came to 13,840, an increase of 1,416 contracts (11.4%) compared to the end of 2018 (then 12,424). € 80.0 million of the purchase price had already been received on the closing date. The remaining sum of € 8.6 million will be received once the buyer and the seller have reached agreement with respect to the balance sheet of SternLease BV at 31 May 2019.
The result at **Mango Mobility** was lower than in H1-2018, due to lagging revenue and higher temporary employee expenses due to a high level of sick leave. The Mango Mobility branch at Haren was entirely destroyed by fire at the end of June 2019. Stern is in discussion with the insurer regarding the settlement of this incident. We expect the compensation under the insurance to at least cover the carrying amount loss and the consequential loss.

Balance sheet and solvency

IFRS 16 (recognition of lease obligations in the balance sheet) came into effect in 2019. This new IFRS significantly affects the size and composition of the balance sheet (which increased by € 125.2 million as a result of IFRS 16) and the level of equity (which declined by € 4.3 million). The impact of IFRS 16 Leases on the balance sheet at 1 January 2019 is as follows:

	Financial statements 2018	Impact IFRS 16 Leases	Adjusted balance sheet 1-1-2019
ASSETS			
Lease assets	–	124,045	124,045
Deferred tax assets	18,073	1,120	19,193
Total assets	**675,404**	**125,165**	**800,569**
LIABILITIES			
Equity	155,161	(4,335)	150,826
Lease obligations	–	129,500	129,500
Total equity and liabilities	**675,404**	**125,165**	**800,569**

At the end of June 2019, the balance sheet total (after the sale of SternLease BV and after application of IFRS 16) stood at € 582.0 million, a decrease of € 218.6 million compared to the pro forma balance sheet total adjusted for IFRS 16 at year-end 2018.

Group equity increased by € 12.9 million to € 163.8 million at the end of June 2019. The development was as follows:

Balance at year-end 2018		155,161
Minus: Effect of IFRS 16		-4,335
		150,826
Profit after tax in H1-2019	27,012	
Distribution of dividend (€ 2.50 per share)	-14,188	
Movement in valuation of interest-rate swaps	120	
		12,944
Balance at 30 June 2019		163,770

The solvency ratio of Stern Group at 30 June 2019 thus comes to 28.1% compared to 18.8% at year-end 2018 (based on pro forma application of IFRS 16). Equity per share at 30 June 2019 stood at € 28.86, compared to € 27.34 at year-end 2018. The final purchase price will be established once the buyer and seller have reached agreement on the balance sheet of SternLease BV at 31 May 2019 (by Q4-2019). The previously announced dividend of a further € 1.00 per share will follow shortly thereafter.

In its press release dated 28 March 2019, Stern Group announced that it has arranged a new **credit agreement** with the banks. The key details of this credit agreement are:

- A facility of € 60.0 million to be reduced by € 3.0 million per year after 1 and 2 years;
- A minimum ICR of 3.0 on a quarterly basis in 2019. The 12-month moving ICR must be at least 2.50 until the end of Q3-2019, and at least 3.00 from Q4-2019 and thereafter;
- The banks have agreed that up to € 6.9 million in reorganisation expenses may be left out of consideration in the calculation of the ICR in 2019;
- The solvency ratio must be at least 30.0%. Capitalised goodwill will be eliminated in the calculation of the solvency ratio;
- The calculation of the ratios may be adjusted for the effect of IFRS changes (such as IFRS 15 and IFRS 16);
- During the term of the guarantees provided to ALD Automotive (which run until 31 May 2021), dividend may only be distributed if the solvency ratio is at least 35.0%. This restriction will not apply to the dividend of € 1.00 to be distributed in Q4-2019.

For a full description of the relevant agreements with the banks, see our press release of 28 March 2019. The covenants agreed with the banks were amply met at the end of June 2019.

Outlook

Stern maintains its previously expressed forecast with respect to improving its operating profit. The effect of the cost-saving programmes initiated at Dealergroup Stern and on overheads at the end of 2018 was already material in H1-2019, and will become more visible in the coming months. In addition, SternPoint will benefit from the long-term partnership with ALD Automotive, with additional car body repair referrals in H2-2019. These additional referrals will increase further in 2020.

At the General Meeting of 9 May 2019, it was announced that the review of the future potential of the mobility scooter operations of Mango Mobility B.V. would soon be completed. Talks are in progress with an interested party regarding a take-over of these operations.

As a result of the faltering car market and the development of margins at some Dealergroup Stern clusters, cost savings from future disposals of sales and other branches that are no longer needed will continue to be an important theme. Together with the divestment of the mobility scooter operations, this process will involve reorganisation expenses, which will, however, be significantly lower than the maximum reorganisation expenses of € 6.9 million agreed with the banks.

Taken together, these developments give us confidence that the operating profit from continued operations in H2-2019 will show a clear improvement on the profit realised in H2-2018.

KEY DATES

Publication third quarter results 2019	14 November 2019 before market opening
Capital Markets Update	19 December 2019
Publication of annual figures 2019	5 March 2020
General Meeting	7 May 2020

Note to editorial staff, not for publication: For further information, please contact H.H. van der Kwast (Stern Group), T +31(0)20 613 60 28

Profile of Stern Groep N.V.
Stern is a large Dutch mobility group that has been listed on Euronext Amsterdam since 2000. Since then, the intended significant growth has been realised in the major car-intensive regions of the country: North and South Holland, Utrecht and North Brabant. The network has more than 85 branches with approximately 2,000 employees (FTEs), and collectively realises net annual revenue (excluding BPM) in excess of € 1 billion.
Stern believes in individual mobility, sustainability and diversity. For this reason, it offers a wide variety of car brands and additional mobility services.
With Stern Mobility Solutions, Stern is engaged in services including leasing (SternLease), rental (SternRent), insurance (SternPolis), finance (SternCredit) and extended guarantees (SternGarant).
With a growing network of currently 16 branches, the Stern Car Services division offers services in the area of (brand-certified) repairs, multibrand after-sales and the intake and provision of rental cars (SternPoint).
Dealergroup Stern has five clusters representing several leading brands such as 1) Mercedes-Benz, 2) Renault and Nissan, 3) Ford, 4) Volvo, Land Rover and Fiat, 5) Volkswagen, Audi, Kia and Opel. Dealergroup Stern has a total of more than 70 branches.

Appendix: Financial report for the period 1 January 2019 to 30 June 2019

STERN

1. Consolidated statement of income for the period 1 January 2019 to 30 June 2019

(amounts x € 1,000)

	H1-2019	H1-2018*
CONTINUED OPERATIONS		
Net revenue	**492,170**	529,448
Cost of sales	**(403,119)**	(438,473)
Gross profit	**89,051**	90,975
Other income	**3,669**	6,677
Employee expenses	**(57,993)**	(60,594)
Amortisation of intangible assets	**(30)**	(30)
Depreciation of property, plant and equipment	**(11,295)**	(3,726)
Other operating expenses	**(18,178)**	(28,838)
Operating profit (EBIT)	**5,224**	4,464
Result from associates	**193**	113
Financial income and expenses	**(4,003)**	(2,185)
Profit before tax	**1,414**	2,392
Income taxes	**(353)**	(298)
Profit from continued operations	**1,061**	2,094
DISCONTINUED OPERATIONS		
Profit from discontinued operations	25,951	2,578
Profit after tax (attributable to shareholders)	**27,012**	**4,672**
Earnings per share		
Weighted average number of outstanding shares	**5,675,000**	5,675,000
Earnings per share from continued operations	**€ 0.19**	€ 0.37
Earnings per share from discontinued operations	**€ 4.57**	€ 0.45
Total earnings per share	**€ 4.76**	€ 0.82

** The comparative figures have been adjusted due to the presentation of discontinued operations. The comparative figures have not been adjusted due to the application of IFRS 16 Leases in H1-2019.*

2. Consolidated statement of comprehensive income for the period 1 January 2019 to 30 June 2019

(amounts x € 1,000)

	H1-2019	H1-2018
Profit after tax (attributable to the shareholders of Stern Groep N.V.)	**27,012**	4,672
Other comprehensive income		
Unrealised results to be recognised in the statement of income in following periods:		
Effective portion of changes to the cash flow hedge	**160**	(285)
Income taxes	**(40)**	71
Income and expenses not recognised in the statement of income	**120**	(214)
Total comprehensive income after tax (attributable to the shareholders of Stern Groep N.V.)	**27,132**	4,458

3. Consolidated statement of financial position at 30 June 2019

(amounts x € 1,000)

	30 June 2019	31 December 2018
ASSETS		
Non-current assets		
Intangible assets	**22,425**	30,572
Property, plant and equipment	**125,867**	327,343
Lease assets*	**120,375**	-
Investments in associates	**759**	1,164
Other financial assets	**14,673**	14,472
Deferred tax assets	**9,777**	18,073
	293,876	391,624
Current assets		
Inventory	**209,065**	233,787
Trade receivables	**51,090**	35,216
Prepayments and accrued income	**22,448**	9,411
Cash and cash equivalents	**841**	747
	283,444	279,161
Assets held for sale	**4,701**	4,619
Total assets	**582,021**	675,404

** The comparative figures have not been adjusted for to the application of IFRS 16 Leases in H1-2019. The comparative figures have been adjusted for assets held for sale.*

	30 June 2019	31 December 2018
LIABILITIES		
Equity (attributable to shareholders of Stern Groep N.V.)		
Issued capital	593	593
Reserves	163,177	154,568
	163,770	155,161
Non-current liabilities		
Interest-bearing loans	43,473	240,736
Lease obligations*	106,864	-
Provisions	1,366	1,400
Advance receipts from lease and warranties	-	1,521
	151,703	243,657
Current liabilities		
Interest-bearing loans	109,351	93,888
Lease obligations*	19,126	-
Provisions	627	713
Trade and other payables	100,462	139,327
Derivatives	511	842
Tax and social insurance contributions	6,687	6,032
Repurchase commitments	13,858	10,312
Other payables, accrued liabilities and deferred income	10,629	21,302
	261,251	272,416
Liabilities held for sale	5,297	4,170
Total equity and liabilities	582,021	675,404

** The comparative figures have not been adjusted for the application of IFRS 16 Leases in H1-2019. The comparative figures have been adjusted for assets held for sale.*

4. Condensed statement of changes in equity in the period 1 January 2019 to 30 June 2019

(amounts x € 1,000)

Period 1 January 2019 to 30 June 2019

	Issued capital	Share premium reserve	Other reserves	Revaluation reserve	Unallocated result	Total
Balance at 1 January 2019	593	114,734	35,077	5,147	(390)	155,161
Impact IFRS 16 Leases	–	–	(4,335)	–	–	(4,335)
Balance at 1 January 2019*	593	114,734	30,742	5,147	(390)	150,826
Profit after tax	–	–	–	103	26,909	27,012
Other comprehensive income after tax	–	–	–	120	–	120
Total comprehensive income	–	–	–	223	26,909	27,132
Result appropriation	–	–	(390)	–	390	–
Cash dividend	–	–	(14,188)	–	–	(14,188)
Balance at 30 June 2019	**593**	**114,734**	**16,164**	**5,370**	**26,909**	**163,770**

** Including the effect of IFRS 16 Leases, the new standard for leases that came into effect on 1 January 2019.*

Period 1 January 2018 to 30 June 2018

	Issued capital	Share premium reserve	Other reserves	Revaluation reserve	Unallocated result	Total
Balance at 1 January 2018	593	114,734	33,740	4,688	5,593	159,348
Profit after tax	–	–	–	876	3,796	4,672
Other comprehensive income after tax	–	–	–	(214)	–	(214)
Total comprehensive income	–	–	–	662	3,796	4,458
Result appropriation	–	–	5,593	–	(5,593)	–
Cash dividend	–	–	(4,256)	–	–	(4,256)
Balance at 30 June 2018	**593**	**114,734**	**35,077**	**5,350**	**3,796**	**159,550**

5. Condensed consolidated cash flow statement for the period 1 January 2019 to 30 June 2019

(amounts x € 1,000)

	H1-2019*		H1-2018	
Profit before tax	**28,052**		5,830	
Adjustments for:				
Result from associates	**(193)**		(113)	
Net interest expense	**518**		-	
Depreciation	**31,056**		27,856	
Result on sale of SternLease B.V.	**(23,444)**		-	
Contribution to/ (withdrawal from) allowances	**(120)**		(11)	
Other changes	**(38,695)**		(18,035)	
Cash flow from operating activities		**(2,826)**		15,527
Received from sale of SternLease B.V.	**60,315**		-	
Net investment in property, plant and equipment and financial non-current assets	**(54,530)**		(46,672)	
Acquisitions	**-**		(431)	
Cash flow from investment activities		**5,785**		(47,103)
Dividends paid	**(14,188)**		(4,256)	
Change in interest-bearing loans	**11,323**		35,742	
Cash flow from financing activities		**(2,865)**		31,486
Movement in cash		**94**		(90)
Balance of cash and cash equivalents at beginning of period	**747**		1,216	
Balance of cash and cash equivalents at end of period	**841**		1,126	
Movement in cash		**94**		(90)

** The cash flow statement shows the cash flows from all operations. The notes contain a condensed overview of the cash flows from discontinued operations.*

6. Notes to the financial report for the period 1 January 2019 to 30 June 2019

General
Stern Groep N.V. has its registered office at Amsterdam, the Netherlands. This interim financial report is prepared in accordance with IAS 34 Interim financial reporting as adopted in the European Union. This report does not contain all the information required for full financial statements and should be read in combination with the 2018 consolidated financial statements. The accounting policies applied by Stern Groep N.V. in this financial report are the same as those applied in the 2018 consolidated financial statements, with the exception of changes to IFRS that took effect on 1 January 2019. The 2018 financial statements of Stern Groep N.V. are available at www.sterngroep.nl.

This financial report is prepared by the Management Board on 21 August 2019. The figures in this report have not been audited. All amounts are expressed in thousands of euros.

Changes to IFRS
The following standards apply with effect from the 2019 financial year and have been applied in the preparation of the financial report on the period 1 January to 30 June 2019:

IFRS 16 Leases is the new standard for leases and replaces the former IAS 17 Leases. The most important change is that this new standard prescribes that a user right and a lease obligation must be recognised for lessees for most lease contracts in the statement of financial position. IFRS 16 Leases has a material effect on the consolidated statement of financial position at 30 June 2019 and the composition of the result of Stern Groep N.V. in the first half of 2019. The user right and the present value of the lease obligations for leased business premises and other business assets (mainly lease cars) are recognised in the statement of financial position. In the statement of income, the rental costs are moved to amortisation costs and interest expenses, as a result of which EBITDA has increased. The development of the interest expenses during the lease period is degressive, contrary to the rental costs which until year-end 2018 have been recognised linearly. The bank covenants state that the new reporting standards will not affect the calculated ratios.

The impact of IFRS 16 Leases on the statement of financial position at 1 January 2019 is as follows:

	Financial statements 2018	Impact IFRS 16 Leases	Adjusted balance sheet 1-1-2019
ASSETS			
Lease assets	–	124,045	124,045
Deferred tax assets	18,073	1,120	19,193
Total assets	**675,404**	**125,165**	**800,569**
LIABILITIES			
Equity	155,161	(4,335)	150,826
Lease obligations	–	129,500	129,500
Total equity and liabilities	**675,404**	**125,165**	**800,569**

The impact of IFRS 16 Leases on the statement of income in H1-2019 is as follows:

	H1-2019 Excluding IFRS 16	Impact IFRS 16	H1-2019 Including IFRS 16
CONTINUED OPERATIONS			
Net revenue	492,170	-	492,170
Cost of sales	(403,119)	-	(403,119)
Gross profit	**89,051**	-	**89,051**
Other income	3,669	-	3,669
Employee expenses	(57,993)	-	(57,993)
Amortisation of intangible assets	(30)	-	(30)
Depreciation of property, plant and equipment	(3,707)	(7,588)	(11,295)
Other operating expenses	(27,278)	9,100	(18,178)
Operating profit (EBIT)	**3,712**	**1,512**	**5,224**
Result from associates	193	-	193
Financial income and expenses	(2,331)	(1,672)	(4,003)
Profit before tax	**1,574**	(160)	**1,414**
Income taxes	(384)	31	(353)
Profit from continued operations	**1,190**	(129)	**1,061**
DISCONTINUED OPERATIONS			
Profit from discontinued operations	25,951	-	25,951
Profit after tax	**27,141**	**(129)**	**27,012**

Future changes to IFRS

No new standards had been issued at the date of publication of this financial report by Stern Groep N.V. that will materially affect the profit and capital of Stern Groep N.V.

Segment reporting
The segmentation of revenue and operating profit is shown in the table below. The reporting segments are Dealergroup Stern, Stern Mobility Solutions (SternRent and SternPartners), Stern Car Services (SternPoint) and Other. For an explanation of the segmental analysis, see note 2 Segmental Analysis in the 2018 consolidated financial statements.

	Revenue		Operating profit	
	H1-2019	H1-2018	**H1-2019**	H1-2018
CONTINUED OPERATIONS				
Dealergroup Stern	**522,862**	560,463	**4,755**	4,730
Stern Mobility Solutions	**28,064**	22,267	**159**	63
Stern Car Services	**17,414**	17,971	**65**	(417)
Other	**-**	-	**245**	88
Revenue to segments	**(76,170)**	(71,253)		
Total	**492,170**	529,448	**5,224**	4,464
Result from associates			**193**	113
Financial income and expenses			**(4,003)**	(2,185)
Profit before tax			**1,414**	2,392
Income taxes			**(353)**	(298)
Profit after tax from continued operations			**1,061**	2,094
Profit from discontinued operations			25,951	2,578
Profit after tax (attributable to shareholders)			**27,012**	4,672

The segmentation of the assets and liabilities is shown in the table below:

	Assets		Liabilities	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
Dealergroup Stern	**291,938**	300,779	**206,407**	219,042
Stern Mobility Solutions	**59,278**	294,985	**14,695**	232,708
Stern Car Services	**10,098**	8,126	**8,631**	6,970
Other	**216,006**	66,895	**183,221**	57,353
Continued operations	**577,320**	670,785	**412,954**	516,073
Held for sale	**4,701**	4,619	**5,297**	4,170
Total	**582,021**	675,404	**418,251**	520,243

Profit from discontinued operations
The sale of SternLease B.V. to ALD Automotive announced on 1 March 2019 was completed on 31 May 2019. The operating profit of SternLease B.V. until 31 May 2019 and the result on the sale of SternLease B.V. are accordingly presented as profit from discontinued operations.

In the 2018 annual report, we announced that the future of the mobility scooter operations of Mango Mobility B.V. would be reviewed in 2019. Consideration of the strategic options has led to a decision whereby the mobility scooter operations of Mango Mobility at 30 June 2019 are presented as *discontinued operations* and *assets held for sale*.

The profit from discontinued operations in H1-2019 consists of:

	H1-2019	**H1-2018**
Operating profit SternLease B.V.	4,283	3,860
Result on sale of SternLease B.V.	23,444	-
Operating profit Mango Mobility B.V.	(1,089)	(422)
Profit before tax	**26,638**	**3,438**
Income taxes	(687)	(860)
Profit from discontinued operations	**25,951**	**2,578**

A condensed statement of income from discontinued operations is presented in the table below:

	H1-2019	**H1-2018**
Net revenue	53,964	64,428
Result on sale of SternLease B.V.	23,444	-
Costs	(50,770)	(60,990)
Profit before tax	**26,638**	**3,438**
Income taxes	**(687)**	**(860)**
Profit from discontinued operations	**25,951**	**2,578**

A condensed statement of cash flow from discontinued operations is presented in the table below (excluding the cash flow from the sale of SternLease B.V.):

	H1-2019	H1-2018
Cash flow from operating activities	18,091	22,622
Cash flow from investment activities	(36,751)	(35,492)
Cash flow from financing activities	18,660	12,870
Movement in cash and cash equivalents	**0**	0

Assets and liabilities held for sale
The assets and liabilities of Mango Mobility, held for sale, consist chiefly of inventory and interest-bearing loans.

Result on sale of SternLease B.V.
The assets and liabilities involved in the divestments and the sums received are shown below:

Property, plant and equipment	231,170
Other receivables	26,777
Interest-bearing loans	(195,093)
Other obligations	(16,773)
Net identified assets and liabilities	**46,081**
Acquisition price	88,568
Result on sale	**42,487**
Minus: goodwill involved in sale	(8,117)
Minus: cost of sale	(2,820)
Minus: tax	(8,106)
Net book profit	**23,444**

The purchase price (or cost of acquisition) of the shares in SternLease amounts to € 88.6 million. Of this amount, the initial purchase price of € 80.0 million was received on the closing date (31 May 2019). This initial purchase price was established as the equity capital and the number of lease contracts of SternLease B.V. at 31 December 2018. The proceeds of the sale of € 88.6 million is established on the basis of the equity capital and the number of lease contracts of SternLease B.V. on 31 May 2019. The difference of € 8.6 million between the purchase price and the initial purchase price already received is recognised under other receivables in the statement of financial position at 30 June 2019. This sum will be received once the buyer and the seller have reached agreement with respect to the balance sheet of SternLease BV at 31 May2019. This agreement will be reached by Q4-2019.
The net book profit of € 23.4 million takes account of the write-down of the majority of the goodwill of the segment Stern Mobility Solutions in the amount of € 8.1 million and the write-down of the deferred tax of the fiscal unity Stern Leasing N.V. to € 8.1 million. This write-down of the deferred tax takes account of the advance tax ruling agreed with the Tax & Customs Administration in February 2019, which agrees that Stern Leasing N.V. will be liquidated in 2019 and that a liquidation loss of € 20 million may be recognised by the fiscal unity Stern Groep N.V., resulting in a corporate income tax gain of € 4.1 million if this liquidation loss is fully realised.

Goodwill
The goodwill consists mainly of goodwill acquired through business combinations. For the purpose of the impairment test, goodwill acquired due to business combinations is allocated to the individual cash-generating units Dealer Group Stern and Stern Mobility Solutions. The impairment test at 31 December 2018 shows that even significant changes to the assumptions used for the segments Dealergroup Stern and Stern Mobility Solutions will not lead to an impairment of the goodwill. Further analysis of the goodwill did not lead to any adjustment to the valuation. In H1-2019, the goodwill of € 8.1 million included in the sale of SternLease B.V. charged to the transaction result is recognised under result from discontinued operations in the statement of income.

Prepayments and accrued income
Other receivables includes a receivable of € 0.4 million in relation to the ESF subsidy for the period March 2009 through July 2011. The total subsidy for this period is € 0.7 million, € 0.3 million of which was received in 2014. At the end of July 2016, the Inspectorate SZW notified Stern that the subsidy claimed by Stern would be investigated due to alleged irregularities. The initial procedure documentation was received at the end of April 2017. The Public Prosecutor's Office stated in December 2017 that the case required more time and attention in order to reach a

valid settlement decision. If the investigation findings are unfavourable for Stern and lead to a conviction, the maximum risk, excluding any fines, is estimated at the loss of the subsidy claims of €0.7 million. Stern is fully cooperating with the investigation. Stern Group believes that all its obligations have been met and is maintaining its position. No significant developments occurred in 2018 and 2019 that give reason to review the recognition of the subsidy.

Related party disclosures
No material transactions took place with related parties in H1-2019. All transactions between Stern Groep N.V. and related parties are effected on the basis of market prices.

Judgements and estimates by the management
Preparation of the interim financial information requires that the Management Board forms opinions and makes estimates and assumptions that affect the application of the accounting policies and the reported values of assets and liabilities, and the amounts of income and expenses. Actual results could differ from these estimates. Interim results are not necessarily an indication of the results in the rest of the year.

In the preparation of this financial report, the usual judgements formed by the Management Board in the application of the accounting policies of Stern Groep N.V. and the sources of estimates used are the same as those used in the preparation of the 2018 consolidated financial statements. We also refer to note 29 in the 2018 financial statements of Stern Groep N.V., which relates to financial risk management at Stern Groep N.V. No significant changes occurred in the first half of 2019.

Statement of Directors' responsibilities
Pursuant to statutory provisions, the Management Board states that as far as it is aware:

1. The financial report is prepared on the basis of IAS 34 and gives a true and fair representation of the assets, liabilities, financial position and result for the period 1 January 2019 to 30 June 2019 of Stern Groep N.V. and the companies included in the consolidation;
2. The financial report presents a true and fair picture of important events occurring in the period 1 January 2019 to 30 June 2019 and the effects thereof on the financial report, together with a description of the principal risks and uncertainties facing Stern Group and major transactions with related parties.