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Press release

19 August 2020

Stern's results pressured by COVID-19

Stern Groep N.V., listed Dutch mobility group in automotive retail and services, announces its results for the first half of 2020.

Highlights

- The number of new passenger cars registered in the Netherlands of 55,000 units in **Q2-2020 alone** was 50.1% lower than in 2019. The number of new light commercial vehicles of 11,000 in Q2-2020 alone was also down on 2019 (-45.0%)
- Net revenue H1-2020 was down 12.5% on H1-2019
- Operating profit from continued operations in H1-2020 came to € 4.0 million (H1-2019: € 4,8 million), this includes the compensation according to the NOW scheme and excluding the (accounting) recognition of an impairment of the goodwill of Dealergroup Stern
- Other operating income in H1-2020 rose sharply as a result of the net gain on the interest in Bovemij
- A (non-cash) impairment of € 20.0 million regarding the goodwill of Dealergroup Stern was recognised in H1-2020. Adjusted for this impairment in H1-2020 a positive net result was realized of € 1 million
- Market share Stern in passenger cars improved slightly to 4.5% in H1-2020 (H1-2019: 4.3%), while the market share in light commercial vehicles declined to 6.4% due to a large one-off deal in 2019 (H1-2019: 7.3%)
- The solvency ratio at 30 June 2020 stood at 28.4% (year-end 2019: 26.6%)
- The group has ample liquidity, with no use made of the available finance facility at the credit institutions of € 57 million at the end of June
- Net asset value per share at 30 June 2020 was € 23.54 (year-end 2019: € 26.90)
- We are not able to make a reliable estimate of the results in H2-2020 due to uncertainty as to the further development of COVID-19. Meanwhile, several (new) cost-saving measures have been initiated, as we expect the negative effects of COVID-19 on operating profit to continue for some time

Henk van der Kwast, Chief Executive Officer:

"*The current situation is unprecedented. COVID-19 has had a material impact on profit in H1-2020, although it should be noted that the NOW scheme (the Temporary Emergency Bridging Measure to Preserve Employment) has significantly mitigated the negative consequences. Sales of new cars halved in Q2-2020 due to the collapse of the business market. Sales of used cars were also much lower in April and May than during the same period in 2019. Sales of used cars however recovered markedly in June. We estimate that the negative effects of COVID-19 on the future operating profit of Dealergroup Stern eventually will be limited. This limited negative adjustment, combined with an increased WACC, results in an impairment of the goodwill of Dealergroup Stern. Moreover, this does not mean that we have no confidence that profits at Dealergroup Stern will recover strongly. The (accounting) impairment has no effect whatsoever on our solvency and liquidity, also from the perspective of the banks.*"

Due to the sale of Heron Auto B.V. on 2 January 2020, the comparative figures for Heron Auto B.V. (the figures for 2019) are presented as discontinued operations. The figures and numbers for 2019 in this press release have been adjusted for the purpose of comparison.

State of affairs in H1-2020

Sales of new cars in the Netherlands declined sharply, mainly due to COVID-19, with 30% fewer passenger cars registered in the Netherlands in H1-2020. Stern's net revenue came to € 382.0 million, a marked decline of 12.5% compared to H1-2019. The fall in revenue was limited, mainly due to the sale of SternLease in May 2019. Until that time, sales of cars to SternLease were eliminated from the consolidated revenue under the reporting rules. Now that SternLease has been sold to an external party (ALD Automotive), sales to SternLease since June 2019 are no longer eliminated.
The relative **gross margin percentage** in H1-2020 came to 18.0% compared to 18.6% in H1-2019, partly due to the above-mentioned removal of the elimination of sales to SternLease in 2020. The gross revenue result was down by € 12.4 million (15.3%), due to a combination of lower revenue and this lower relative margin.

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Other operating income was sharply higher than in H1-2019, mainly due to the recognition of a net gain on the interest in Bovemij due to revaluation and dividend.
Employee expenses were down 15.4% on H1-2019, despite the CLA increase of 3.2% with effect from 1 February 2020. Use was made of the temporary Emergency Bridging Measure to Preserve Employment (the NOW scheme) in Q2-2020. This contribution has been deducted from the employee expenses. In addition to the effect of the NOW compensation, the decline in employee expenses was due to the reduction of the number of FTE by 197 in organic terms compared to the start of 2019. The organic reduction of the number of FTE in H1-2020 was 77.
Operating expenses (excluding the impairment of goodwill) were 4.2% lower than in H1-2019, due to the cost-saving programmes introduced in 2019 and the closure of branches of Dealergroup Stern. The decline in operating expenses was offset by the costs of the re-branding to 'One Stern' recognised in H1-2020, the non-recurring costs of implementing a new CRM software at Dealergroup Stern and the acquisition of a car body repair business in Bemmel.
As stated above, a **non-cash impairment of the goodwill** of € 20.0 million was recognised on the intangible assets relating to the goodwill of the segment Dealergroup Stern. In note 13 to the 2019 financial statements, we had already noted that the difference between the value in use and the carrying amount of the cash-generating unit Dealergroup Stern was only € 1.0 million at the end of 2019. This calculation was based on an estimate of the future profits of Dealergroup Stern based on our knowledge at the end of January 2020 (in other words, before COVID-19), and a WACC of 5.3%.
This calculation was performed again for H1-2020 on the basis of scenarios relating to estimates of the future profits of Dealergroup Stern. We are now assuming a WACC of 6.3% instead of 5.3%. Moreover, this higher estimate for the WACC has a much larger impact on the value in use of Dealergroup Stern than the limited negative adjustment of the final result of Dealergroup Stern. Based on the impairment test we performed, the goodwill of Dealergroup Stern of approximately € 20 million has been written off entirely in H1-2020.

The **profit after tax** consists of the following:

*€ 1,000	**H1-2020**	**H1-2019**
Profit/ (loss) from continued operations	1,068	1,382
Impairment of goodwill	(20,023)	-
Profit from discontinued operations	-	25,982
Profit/(loss) before tax	**(18,955)**	**27,364**
Income taxes	(102)	(352)
Profit after tax	**(19,057)**	**27,012**

Profit from discontinued operations in H1-2019 consisted mainly of the profit on the sale of SternLease B.V. at the end of May 2019.

Highlights Dealergroup Stern

The number of new passenger cars registered in the Netherlands of 158,000 units in H1-2020 was 30.0% lower than in H1-2019. The number of new light commercial vehicles registered of 30,000 was also down on H1-2019 (-31.1%). In **Q2-2020 alone** (the months most affected by the coronavirus) the number of new passenger cars registered in the Netherlands came to 55,000 units, a 50.1% decline on 2019. The number of new light commercial vehicles registered in Q2 alone of 11,000 was also down by 45.0%.
Dealergroup Stern's national market share for passenger cars in organic terms in H1-2020 came to 4.5% (H1-2019: 4.3%). The market share in light commercial vehicles was 6.4% (H1-2019: 7.3%). Market share therefore remained more or less unchanged, despite the closure of 10 branches in H2-2019.

Revenue at Dealergroup Stern declined on balance by € 85.7 million (18.8%) to € 371.4 million. The decrease was due to the weaker market and the stated closures and divestments in 2019. The relative margin on sales of new passenger cars declined marginally, mainly due to a lower proportion of sales to private customers. An additional write-off of € 1.0 million was recognised in H1-2020 on the inventory of used cars at the end of June 2020, charged to the gross margin.
As a result of the closure of 10 branches in H2-2019, which led to a 5.0% reduction in the number of mechanics, revenue from workshops was markedly lower than in H1-2019, mainly due to COVID-19. Revenue per mechanic was down slightly, due to higher hourly rates and improved efficiency.
Employee expenses were down 16.8% in organic terms, despite the CLA increases of 3.1% with effect from 1 February 2020. The reduction was due to the organic decline in the number of FTE and the reduced number of branches, as well as the application of the NOW scheme income that has been deducted from the employee expenses. Operating expenses were lower in organic terms, partly due to the cost-saving programmes initiated at the end of 2019.

Dealergroup Stern accordingly realised an **operating profit** (EBIT) of € 2.6 million before impairment of goodwill in H1-2020 (H1-2019: € 5.8 million).

The **balance sheet total** of Dealergroup Stern at 30 June 2020 stood at € 315.3 million (Including IFRS 16), down 16.0% on year-end 2019 and 23.5% lower than at 30 June 2019. The main reason for the lower balance sheet total is the much lower inventory of new cars and the write-off of goodwill (€ 20.0 million). The inventory of used cars has on the other hand increased since year-end 2019.

Highlights Stern Mobility Solutions

The Stern Mobility Solutions segment now consists mainly of the rental operations of SternRent.
Demand for rental cars has fallen sharply as a result of the measures introduced by the government with effect from 17 March 2020. The rental fleet was reduced by around 1,000 vehicles immediately at that time in order to keep the utilisation ratio at the desired level. The fleet reached its lowest level of 1,800 vehicles in mid-May 2020. After the government eased the measures relating to COVID-19, we have seen an increase in demand from that time. At 30 June 2020, the rental fleet consisted of 1,916 vehicles, representing a 25.6% decline since year-end 2019.
The **operating profit** (EBIT) of Stern Mobility Solutions came to € 0.7 million negative (H1-2019: € 0.2 million positive). The **balance sheet total** at 30 June 2020 was € 42.1 million (year-end 2019: € 57.2 million).

Highlights Stern Car Services

This segment consists of SternPoint (car body repairs, minor repairs, light commercial vehicle interiors and lettering). There has been a fall in demand at the car body repair shops since the second half of March 2020. The overall distance travelled by car in the Netherlands has declined since the government measures came into force on 17 March, leading to fewer accidents. Demand for car body repairs has picked up slightly since mid-June 2020.
We acquired the operations of a car body repair business in Bemmel in February 2020. The operations in Amsterdam North were transferred to the new (larger) SternPoint branch in Amsterdam West. All the car body repair operations of SternPoint in Amsterdam have now been combined at this large facility, enabling optimal use of efficiency benefits. The number of SternPoint branches currently stands at 14. 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. Revenue at SternPoint was down 10.2% compared to H1-2019. This (temporary) decline was mainly due to the fall in demand as a result of COVID-19.
The **operating profit** (EBIT) of Stern Car Services came to € 0.4 million negative in H1-2020 (H1-2019: € 0.1 million positive).

Highlights Other

The operating profit of the Other segment was € 2.4 million in H1-2020 compared to € 1.3 million negative in H1-2019. This includes holding costs not recharged, which were actually lower than in H1-2019 as a result of the reduction in the number of FTE. The cost of the departure of a member of the Group Council (buy-out payment and continued payment of salary until termination of employment) was recognised in H1-2020.
The gain from the revaluation and dividend on the interest in Bovemij recognised in this segment was much higher than in H1-2019. One premises was sold in H1-2020 at the carrying amount. A book gain was realised on premises in H1-2019.

Statement of financial position and solvency

The balance sheet total at the end of June 2020 stood at € 469.8 million, a decline of € 103.7 million compared to year-end 2019. The main changes concerned:

- A decrease of € 40 million due to the sale of Heron Auto B.V. on 2 January 2020;
- A decrease of € 36.5 million due to lower inventory;
- A decrease of € 20.0 million due to the impairment of the goodwill of Dealergroup Stern.

The sale of Heron Auto B.V. was completed in H1-2020. No book profit has yet been recognised as a result of this sale. The difference between the sale proceeds and the carrying amount has been reserved in the statement of financial position at the end of June 2020 for potential setbacks with respect to warranties issued. Greater clarity will be available on this item during the preparation of the 2020 financial statements.

Group equity declined by € 19.0 million compared to year-end 2019 to € 133.6 million at the end of June 2020, mainly due to recognition of the loss in H1-2020. The solvency ratio of Stern Group at the end of June 2020 stood at 28.4% (year-end 2019: 26.6%). Stern comfortably met the ratios agreed with the banks at the end of June 2020.

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Agreement has been reached with the **financier of the used cars and the rental fleet** regarding changes to the limits. The limit for the financing of the rental cars has been reduced, and the limit for financing of used cars has been increased by the same amount.
Stern has a **financing facility** of € 57 million with the credit institutions. We have devoted continuous attention to the management of our working capital during the past months. We have used the option to defer the payment of tax for a period of three months. At 30 June there was € 29.2 million in deferred tax outstanding, which was paid in full in mid-July. This deferral scheme has led to a very large liquidity position. No use was made of the existing credit lines at 30 June 2020, and in fact there was a credit balance at the banks of approximately € 12 million. We have been paying tax in line with the usual periods since July.
We estimate that the bank facilities are adequate to cope with the further effects of COVID-19.

Status of negotiations with Hedin

In mid-March, we announced that the merger negotiations with Hedin Automotive, which were at an advanced stage, had been suspended due to COVID-19. There has been regular contact between Stern and Hedin Automotive regarding the situation in recent months. The merger negotiations will be resumed in the near future.

Outlook

Production of new cars by manufacturers, which had been temporarily halted due to COVID-19, has now resumed. Not all production facilities are fully operational as yet, due to reduced availability of certain specific car parts. This development could have a positive effect on the prices and sales of used cars. The national registration of new passenger cars in July 2020 was 4.0% up on July 2019, but it has to be noted that July 2019 was a poor month for registrations because of changes to the BPM (private vehicle and motorcycle tax) as a result of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) regulation.
The large lease companies are now less cautious with respect to purchases of already ordered cars than they were in the months until the end of June. Since June 2020, sales of used cars have returned to or exceeded the level seen in 2019. We are seeing a gradual recovery in our sales markets and expect this to continue, however it would not be appropriate to issue any detailed forecasts for the annual results in 2020 due to the uncertainties relating to COVID-19. Meanwhile, several (new) cost-saving measures have been initiated, as we expect the negative effects of COVID-19 on operating profit to continue for some time. We have not yet submitted an application for NOW-2, and we will make a decision on this by the end of August 2020.

As a result of the divestments and considerable cost savings realised in 2019 and early 2020, Stern has a strong solvency position and has created a liquidity position that will be sufficient to offset even very significant setbacks.

KEY DATES

Publication first quarter results 2020	12 November 2020 before market opening
Publication of annual figures 2020	4 March 2021 before market opening
General Meeting	6 May 2021

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

About Stern
Stern is a large Dutch automotive retailer that has been listed on Euronext Amsterdam since 2000. Stern offers a wide variety of leading car brands and additional mobility services. Dealergroup Stern represents several leading brands such as Mercedes-Benz, Renault, Nissan, Ford, Volvo, Land Rover, Kia and Opel. Stern also offers additional services such as leasing, rental, insurance, finance, extended warranty, (brand-certified) car body repairs and light commercial vehicle interiors. The Stern network consists of 75 branches with approximately 1,700 employees (FTE) in the car-intensive regions of the Netherlands.

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Appendix: Financial report for the period 1 January 2020 to 30 June 2020

1. Consolidated statement of income for the period 1 January 2020 to 30 June 2020

(amounts x € 1,000)

	H1-2020	H1-2019*
CONTINUED OPERATIONS		
Net revenue	**381,991**	436,460
Cost of sales	**(313,178)**	(355,229)
Gross profit	**68,813**	81,231
Other income	**5,882**	3,542
Employee expenses	**(44,802)**	(52,966)
Impairment of goodwill	**(20,023)**	-
Amortisation of intangible assets	**(37)**	(30)
Depreciation of property, plant and equipment	**(11,949)**	(11,056)
Other operating expenses	**(13,911)**	(15,950)
Operating profit (EBIT)	**(16,027)**	4,771
Result from associates	**6**	193
Financial income and expenses	**(2,934)**	(3,582)
Profit/(loss) before tax	**(18,955)**	1,382
Income taxes	**(102)**	(352)
Profit/ (loss) from continued operations	**(19,057)**	1,030
DISCONTINUED OPERATIONS		
Profit from discontinued operations	-	25,982
Profit after tax (attributable to shareholders)	**(19,057)**	27,012
Earnings per share		
Weighted average number of outstanding shares	**5,675,000**	5,675,000
Earnings per share from continued operations	**(€ 3.36)**	€ 0.18
Earnings per share from discontinued operations	**-**	€ 4.58
Total earnings per share	**(€ 3.36)**	€ 4.76

** The comparative figures are adjusted due to the presentation of the profit of Heron Auto as profit from discontinued operations. Heron Auto was sold on 2 January 2020.*

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2. Consolidated statement of comprehensive income for the period 1 January 2020 to 30 June 2020

(amounts x € 1,000)

	H1-2020	H1-2019
Result after tax (attributable to the shareholders of Stern Groep N.V.)	**(19,057)**	**27,012**
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	**39**	**160**
Income taxes	**(10)**	**(40)**
Income and expenses not recognised in the statement of income	**29**	**120**
Total comprehensive income after tax (attributable to the shareholders of Stern Groep N.V.)	**(19,028)**	**27,132**

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3. Consolidated statement of financial position at 30 June 2020

(amounts x € 1,000)

	30 June 2020	31 December 2019
ASSETS		
Non-current assets		
Intangible assets	**2,335**	22,395
Property, plant and equipment	**108,077**	120,966
Lease assets	**105,521**	108,026
Other financial assets	**18,863**	14,549
Deferred tax assets	**12,917**	12,670
	247,713	278,606
Current assets		
Inventory	**164,928**	201,401
Trade receivables	**25,801**	41,734
Other receivables, accrued income and prepaid expenses	**18,842**	9,385
Cash and cash equivalents	**12,480**	683
	222,051	253,203
Assets held for sale	**-**	41,610
Total assets	**469,764**	573,419

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	30 June 2020	31 December 2020
LIABILITIES		
Equity (attributable to shareholders of Stern Groep N.V.)		
Issued capital	**593**	593
Reserves	**133,018**	152,046
	133,611	152,639
Non-current liabilities		
Interest-bearing loans	**11,061**	49,740
Lease commitments	**93,231**	94,317
Provisions	**1,282**	1,366
	105,574	145,423
Current liabilities		
Interest-bearing loans	**88,651**	89,954
Lease commitments	**18,772**	19,779
Provisions	**1,603**	3,667
Creditors	**60,380**	97,422
Derivatives	**334**	372
Tax and social security contributions	**33,872**	5,681
Repurchase commitments	**9,588**	8,866
Other liabilities and accruals and deferred income	**17,379**	15,871
	230,579	241,612
Liabilities held for sale	**-**	33,745
Total liabilities	**469,764**	573,419

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4. Condensed statement of changes in equity in the period 1 January 2020 to 30 June 2020

(amounts x € 1,000)

Period 1 January 2020 to 30 June 2020

	Issued capital	Share premium reserve	Other reserves	Revaluation reserve	Unallocated result	Total
Balance at 1 January 2020	593	114,734	10,436	5,602	21,274	152,639
Result after tax	–	–	–	4,249	(23,306)	(19,057)
Other comprehensive income after tax	–	–	–	29	–	29
Total comprehensive income	–	–	–	4,278	(23,306)	(19,028)
Result appropriation	–	–	21,274	–	(21,274)	–
	–	–	–	–	–	–
Balance at 30 June 2020	**593**	**114,734**	**31,710**	**9,880**	**(23,306)**	**133,611**

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
Result 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**

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5. Condensed consolidated cash flow statement for the period 1 January 2020 to 30 June 2020

(amounts x € 1,000)

	H1-2020*		H1-2019**	
Profit/(loss) before tax	**(18,955)**		28,052	
Adjustments for:				
Result from associates	**(6)**		(193)	
Net interest expense	**(143)**		518	
Impairment of goodwill	**20,023**		-	
Amortisation of intangible assets	**37**		30	
Depreciation of property, plant and equipment	**7,344**		31,026	
Depreciation of lease assets	**8,330**		7,588	
Result on sale of SternLease B.V.	**-**		(23,444)	
Contribution to/ (withdrawal from) allowances	**(2,147)**		(120)	
Other changes	**31,578**		(38,855)	
Cash flow from operating activities		**46,061**		4,602
Received from sale of business divisions	**7,782**		60,315	
Net investment in property, plant and equipment	**5,755**		(54,530)	
Cash flow from investment activities		**13,537**		5,785
Dividends paid	**-**		(14,188)	
Change in interest-bearing loans	**(39,982)**		11,323	
Repayment of lease commitments	**(7,819)**		(7,428)	
Cash flow from financing activities		**(47,801)**		(10,293)
Movement in cash		**11,797**		94
Cash and cash equivalents at opening date	**683**		747	
Balance of cash and cash equivalents at closing date	**12,480**		841	
Movement in cash		**11,797**		94

** The cash flow statement shows the cash flows from all operations, including the cash flows from discontinued operations.*

*** The comparative figures are adjusted due to the presentation of the IFRS 16 Lease payments as repayment and interest. The interest payments are recognised under cash flow from operational activities and the repayments are recognised as cash flow from financing activities.*

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6. Notes to the financial report for the period 1 January 2020 to 30 June 2020

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 consolidated 2019 financial statements. The accounting policies applied by Stern Groep N.V. in this financial report are the same as those applied in the consolidated financial statements for 2019, with the exception of changes to IFRS that took effect on 1 January 2020. The 2019 financial statements of Stern Groep NV are available at https://www.stern.nl/over-stern

This financial report is prepared by the Management Board on 19 August 2020. The figures in this report have not been audited. All amounts are expressed in thousands of euros.

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.

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Segmental analysis

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 2019 consolidated financial statements.

	Revenue		Operating profit	
	H1-2020	**H1-2019***	**H1-2020**	**H1-2019***
CONTINUED OPERATIONS				
Dealergroup Stern	**371,370**	457,109	**(17,379)**	5,816
Stern Mobility Solutions	**29,151**	28,064	**(702)**	159
Stern Car Services	**15,637**	17,414	**(389)**	65
Other	**-**	-	**2,443**	(1,269)
Revenue to segments	**(34,167)**	(66,127)		
Total	**381,991**	436,460	**(16,027)**	4,771
Result from associates			**6**	193
Financial income and expenses			**(2,934)**	(3,582)
Profit/(loss) before tax			**(18,955)**	1,382
Income taxes			**(102)**	(352)
Profit after tax from continued operations			**(19,057)**	1,030
Profit from discontinued operations			-	25,982
Profit after tax (attributable to shareholders)			**(19,057)**	27,012

** The comparative figures are adjusted due to the presentation of the profit of Heron Auto as profit from discontinued operations and the allocation of the effect of IFRS 16 Leases to the segment Dealergroup Stern instead of the segment Other.*

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

	Assets		Liabilities	
	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
Dealergroup Stern	**315,343**	375,568	**265,698**	309,299
Stern Mobility Solutions	**42,105**	57,191	**32,157**	44,445
Stern Car Services	**9,502**	11,951	**7,419**	9,347
Other	**102,814**	87,099	**30,879**	23,944
Continued operations	**469,764**	531,809	**336,153**	387,035
Held for sale	**-**	41,610	**-**	33,745
Total	**469,764**	573,419	**336,153**	420,780

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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 H1-2019.

The sale of the mobility scooter operations of Mango Mobility announced on 11 December 2019 was completed on 31 December 2019. The operating profit of Mango Mobility in 2019 is accordingly presented as profit from discontinued operations in H1-2019.

The sale of Heron Auto B.V. to Broekhuis announced on 9 December 2019 (HK: state full name?) was completed on 2 January 2020. The assets and liabilities of Heron Auto B.V. are recognised on 31 December 2019 as assets and liabilities held for sale. The profit of Heron Auto B.V. is presented as profit from discontinued operations in H1-2019.

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

	H1-2020	H1-2019
Operating profit SternLease B.V.	-	4,283
Profit from sale of SternLease B.V.	-	23,444
Operating profit/(loss) Mango Mobility B.V.	-	(1,089)
Operating profit Heron Auto B.V.	-	31
Profit/(loss) before tax	**-**	**26,669**
Income taxes	-	(687)
Profit from discontinued operations	**-**	**25,982**

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

	H1-2019	H1-2019
Net revenue	-	109,419
Profit from sale of SternLease B.V.	-	23,444
Costs	-	(106,194)
Profit/(loss) before tax	**-**	**26,669**
Income taxes	**-**	**(687)**
Profit from discontinued operations	**-**	**25,982**

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Goodwill
The item intangible assets consists mainly of 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 Dealergroup Stern and Stern Mobility Solutions.
The impairment test of the goodwill of Dealergroup Stern at 31 December 2019 showed that there was limited headroom and that reasonably possible changes in the assumptions used could lead to an impairment of the goodwill.

The COVID-19 pandemic has had a significant economic impact on the value in use of Dealergroup Stern, and an impairment test was accordingly performed on 30 June 2020. This test was performed with changed assumptions that took account of the impact of the COVID-19 pandemic on the future cash flows and WACC of Dealergroup Stern. The key changes to the assumptions compared to those used for the test at year-end 2019 are:

- the future cash flows for the coming two years are expected to be significantly lower than the estimate at year-end 2019;
- the higher economic uncertainty is expected to lead to a 1.0% increase in the WACC. The impairment test performed on 30 June 2020 accordingly used a higher WACC of 6.3% (year-end 2019: 5.3%).

The impairment test performed on 30 June 2020 showed that the value in use of Dealergroup Stern was lower than the carrying amount and that an impairment had occurred. The entire goodwill of Dealergroup Stern was accordingly written off in H1-2020 and an impairment of € 20.0 million was recognised in the result.

The future impact of the COVID-19 pandemic on the cash flows of Dealergroup Stern is uncertain and highly dependent on how the COVID-19 pandemic develops. The future cash flows could therefore significantly differ from the assumptions used in the impairment test performed on 30 June 2020.

The impairment test of the goodwill of Stern Mobility Solutions on 30 June 2020 showed that there was no impairment.

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Other effects of COVID-19

The NOW-1 compensation for salary costs
Stern Group made use of the temporary Emergency Bridging Measure to Preserve Employment (the NOW-1 scheme). This is a government scheme to compensate for salary costs in order to maintain employment at businesses experiencing a decline in revenue of at least 20% compared to 2019 as a result of the COVID-19 pandemic. The compensation for salary costs received under the NOW-1 scheme has been deducted from the employee expenses in H1-2020.

Deferred payment of tax
Stern Group made use of the option to defer payment of salary tax and social security contributions and value-added tax in H1-2020 as part of the government support measures in relation to COVID-19. The item deferred tax payments stood at € 29.2 million at 30 June 2020.

Other receivables
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. Stern Group believes that all its obligations have been met and has cooperated fully with the investigation. There were discussions with the Public Prosecutor's Office regarding the settlement of this case in 2019, and agreement was reached on a transaction proposal that was signed in April 2020. In anticipation of signature in 2020, a reserve of € 200,000 had already been formed and charged to the profit in 2019. Stern is currently in consultation with SZW regarding the settlement of the subsidy. In Stern's estimation, the settlement of the subsidy will not be significantly different from the submitted subsidy.

Related party disclosures
No material transactions took place with related parties in H1-2020. 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 consolidated financial statements for 2019. We also refer to note 33 in the 2019 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 2020.

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Statement by the Management Board

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 2020 to 30 June 2020 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 2020 to 30 June 2020 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.