Annual Report 2019

mobility matters

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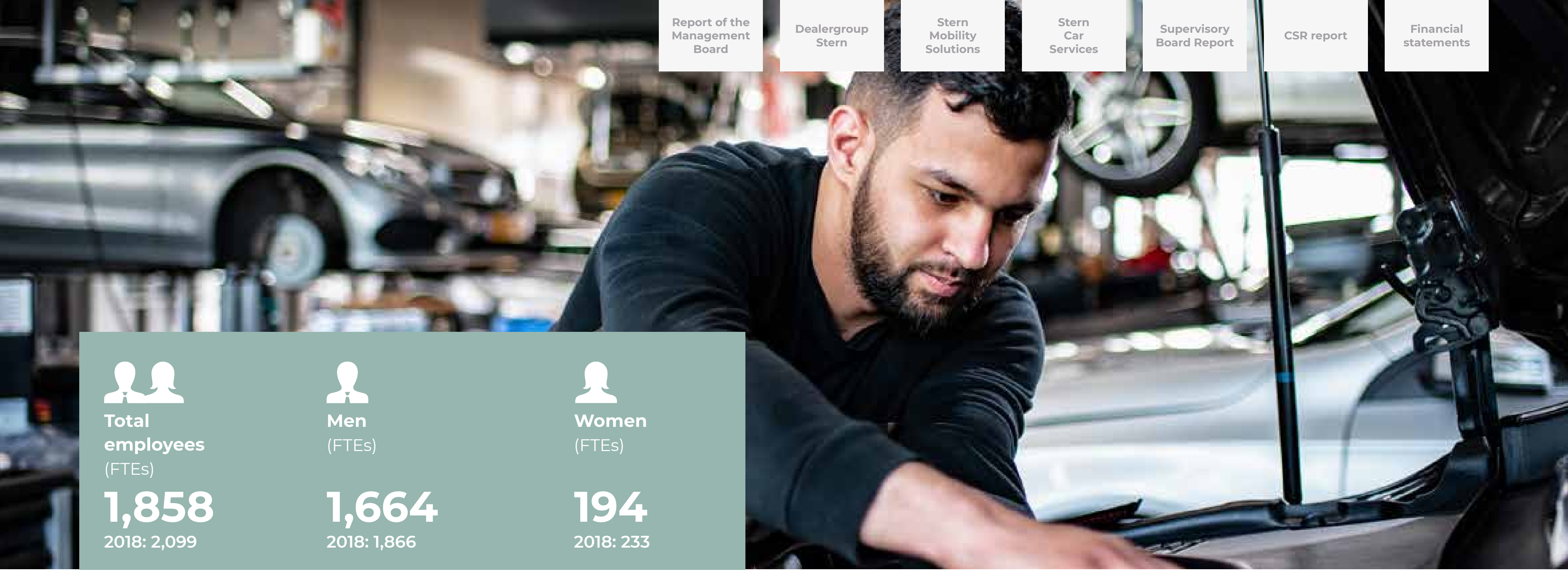
This annual report covers the period from 1 January to 31 December 2019.

Stern Groep N.V. has a formal annual reporting cycle. The 2019 annual report was published on 13 March 2020.



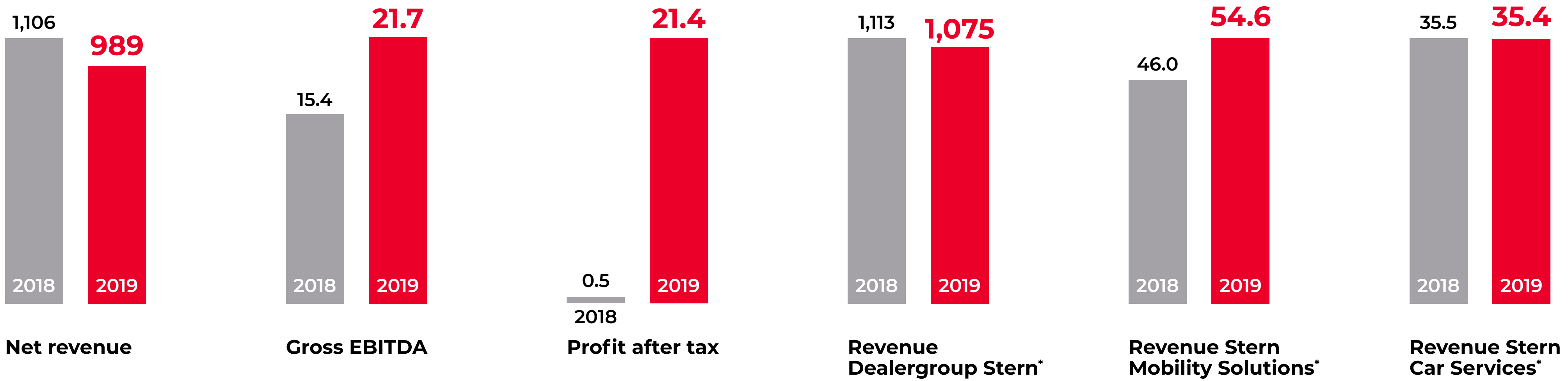
Total employees (FTEs)
1,858
2018: 2,099

Men (FTEs)
1,664
2018: 1,866

Women (FTEs)
194
2018: 233

Key figures

(x € 1 million)



*Revenue before elimination of inter-company and internal revenue.

Sales

Total sales
47,498
2018: 51,796

New passenger cars
20,862
2018: 23,595

Used passenger cars and light commercial vehicles
20,480
2018: 22,490

New light commercial vehicles
6,156
2018: 5,711

Mobility solutions

Fleet under management
11,071
2018: 16,062

Rental days sold
756,297
2018: 728,151

Mobility contracts
57,560
2018: 71,748*

E-mobility products
3,595
2018: 3,470

Car services

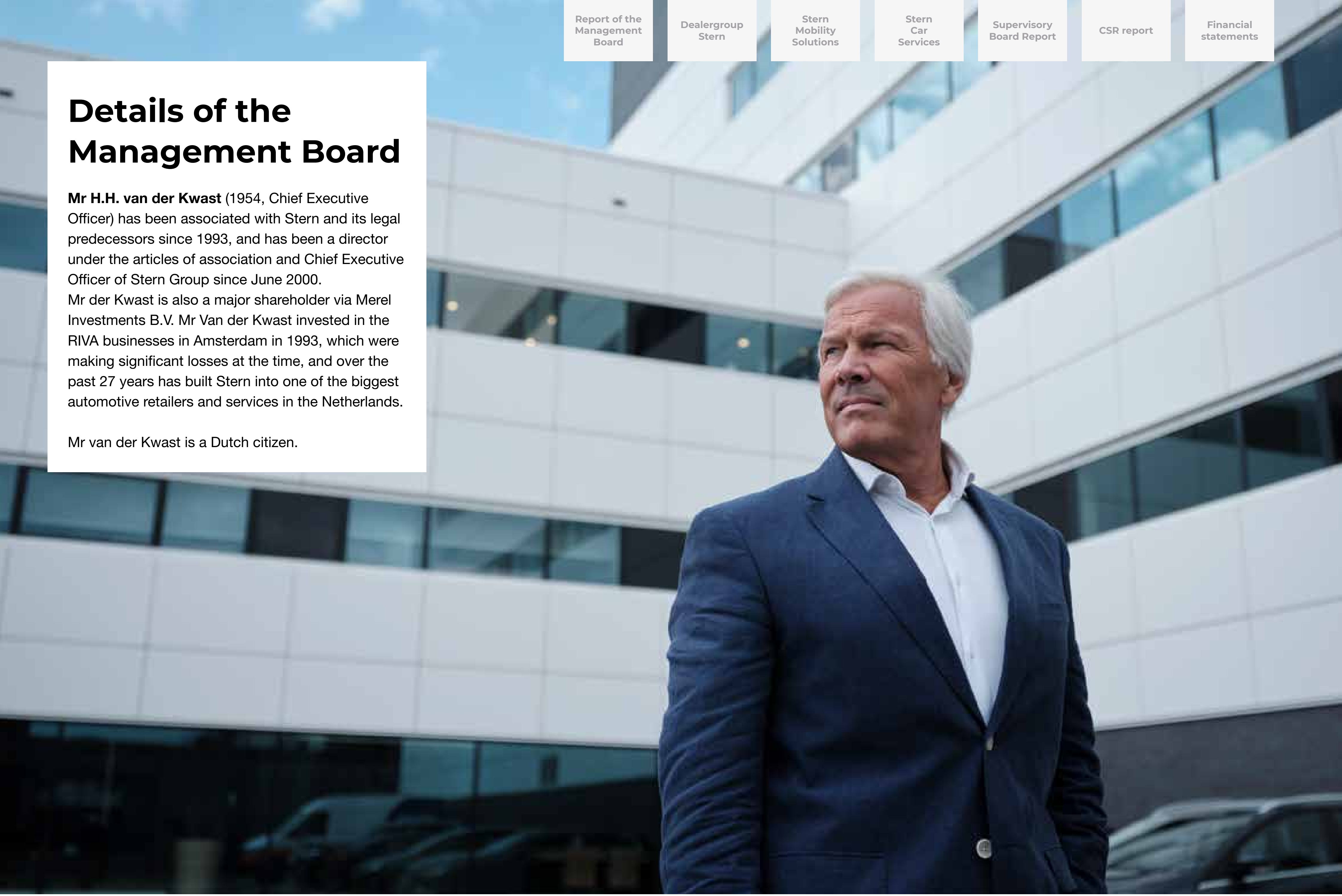
Damage cases settled
25,298
2018: 27,111

Number of delivery destinations
2,741
2018: 2,398

Interiors sold
2,108
2018: 1,220

Number of packages carried
176,209
2018: 177,541

* Including SternLease



Details of the Management Board

Mr H.H. van der Kwast (1954, Chief Executive Officer) has been associated with Stern and its legal predecessors since 1993, and has been a director under the articles of association and Chief Executive Officer of Stern Group since June 2000.
Mr der Kwast is also a major shareholder via Merel Investments B.V. Mr Van der Kwast invested in the RIVA businesses in Amsterdam in 1993, which were making significant losses at the time, and over the past 27 years has built Stern into one of the biggest automotive retailers and services in the Netherlands.

Mr van der Kwast is a Dutch citizen.

Foreword

The past year featured the preparation of Stern for a leap forward in the international consolidation of car distribution. The first step was made with the sale of the lease operations to ALD Automotive, a notable transaction, combined with a long-term partnership agreement. The consolidation in the lease market is currently accelerating as a result of mergers and acquisitions, and the growing popularity of private lease. With its close partnership with ALD Automotive, Stern aims to maintain its involvement in the lease market and to expand the lease fleet relevant to it in the Netherlands faster than it could on its own. Part of the proceeds of the sale of SternLease will be used to accelerate the digitalisation of the business and on expanding SternPoint to become a network with national relevance. Part of the proceeds will also be used to optimise and downsize the dealer network. After a restructuring of the Group's finance, approximately € 20 million of the sale proceeds has been distributed to shareholders.

The value added by the individual activities to Stern's integrated mobility proposition is the leading consideration in the steps that have been taken. Stern is transforming itself from a dealer holding company with many branches and multiple websites into a single online mobility platform with an optimal number of branches. In 2019, this led to the merging and sale of certain operations, including the Heron Auto dealership, and to a structural reduction of costs. The digital changes that have been instituted will become fully visible in 2020 when the new platform goes live half-way through the year. The various names of our dealerships will be changed to Stern by the end of 2020 in order to increase Stern's name recognition.

Meanwhile, market and product developments are putting car distribution under pressure, which will inevitably lead to further consolidation, forward and backward integration and internationalisation of the industry. Stern intends to continue to play a meaningful role and is therefore looking for an international partner. Such a group will have excellent opportunities, especially in the smaller countries on the European continent. With our vision and sharper focus in 2019, Stern is now an attractive partner for an international player.

Henk van der Kwast
Chief Executive Officer

Group Council

1. **Huub van den Brule**
   Director Stern 2
2. **Bastiaan Geurts**
   Director Corporate Affairs
3. **Olivier Hoffmann**
   Group Controller Stern Group
4. **Marco Vlaar**
   Director Stern Mobility Solutions
5. **Henk van der Kwast**
   Chief Executive Officer
6. **Dwight de Weerd**
   Director Stern 1
7. **Finus Porsius**
   Financial director Stern Group
8. **Loes van Dalen**
   Director Human Resources
9. **Rob Visser**
   Director Stern 5 and Director Stern Car Services
10. **Guus Baris**
    Director SternPoint
11. **Gerrit Klock**
    Director Stern 3
12. **Matthieu Snel**
    Director Stern 4

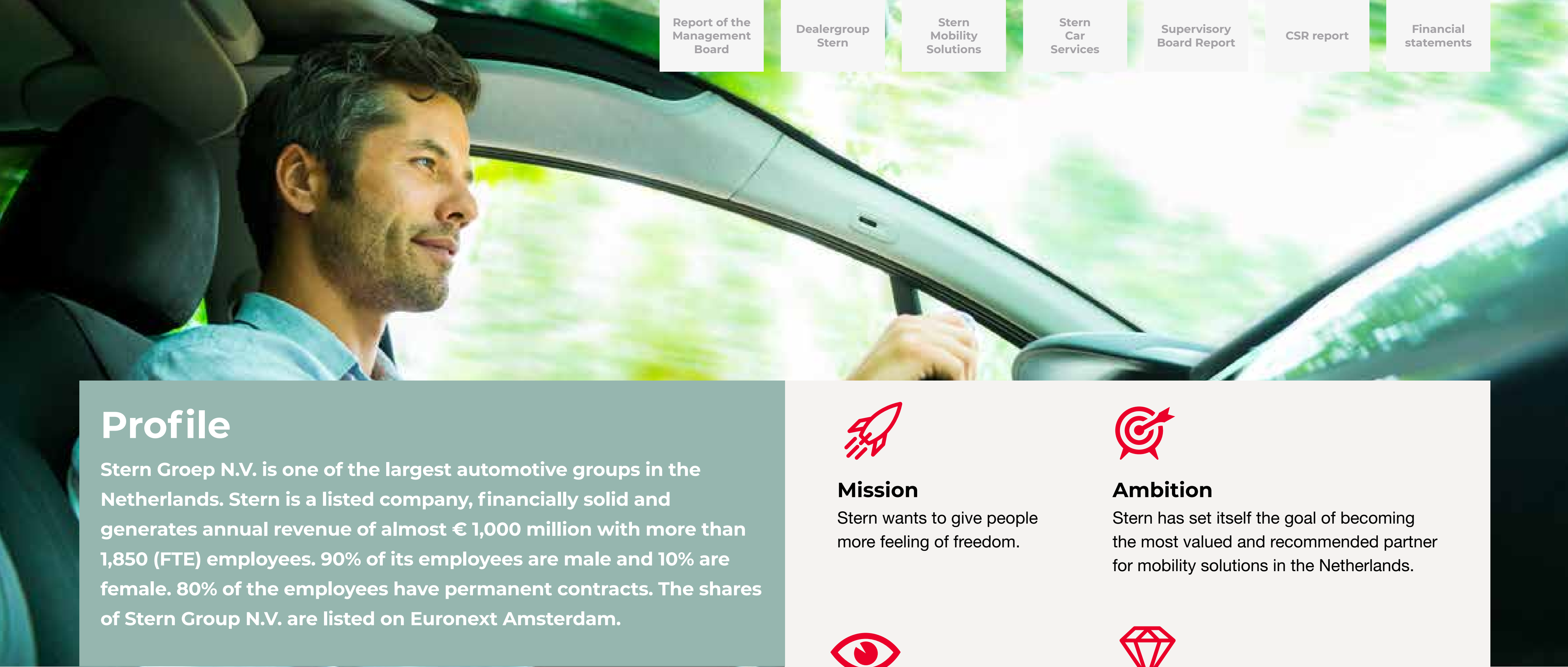
5-year overview

(Figures x €1,000, unless otherwise stated)

	2019	2018	2017	2016	2015
Revenue details*					
Net revenue	**989,335**	1,106,402	1,124,677	1,097,630	1,095,181
Operating result	**2,729**	7,247	12,690	18,737	18,809
Result after tax	**21,377**	486	7,499	11,348	11,067
Return on equity (profit after tax/equity) (in %)	**13.9**	0.3	4.9	7.4	7.3
Balance sheet details					
Intangible assets	**22,395**	30,572	30,502	30,011	30,070
Property, plant and equipment	**120,966**	327,490	297,056	280,294	269,264
Lease assets	**108,026**	–	–	–	–
Financial non-current assets	**27,219**	32,545	34,902	34,652	37,971
Equity	**152,639**	155,161	159,348	156,994	150,779
Non-current liabilities	**145,423**	246,894	209,194	9,011	147,772
Balance sheet total	**573,419**	675,404	625,113	623,853	585,695
Solvency of car leasing operations (in %) [1]	_	12.5	12.5	12.5	12.5
Solvency of car rental activities (in %) [1]	_	20.0	20.0	20.0	20.0
Solvency of other activities (in %) [1]	**26.6**	32.3	34.0	32.6	33.7

	2019	2018	2017	2016	2015
Per share of € 0.01					
Equity [2]	**26.90**	27.34	28.08	27.66	26.57
Profit after tax [3]	**3.77**	0.09	1.32	2.00	1.95
Dividend	**3.50**	–	1.00	1.00	1.00
Highest price	**19.20**	19.96	25.15	19.89	18.24
Lowest price	**12.20**	13.65	17.64	16.20	10.99
Price at year-end	**14.40**	14.30	20.00	17.72	18.12
Number of shares					
Entitled to profit	**5,925,000**	5,925,000	5,925,000	5,925,000	5,925,000
Outstanding at end of financial year [4]	**5,675,000**	5,675,000	5,675,000	5,675,000	5,675,000
Average outstanding [2]	**5,675,000**	5,675,000	5,675,000	5,675,000	5,673,560
Total market capitalisation at year-end	81,720	81,153	113,500	100,561	102,831
Number of employees at year-end	2,004	2,305	2,323	2,262	2,177
Number of FTEs at year-end	1,858	2,099	2,106	2,051	1,979

[1] Based on normative solvency.
[2] Based on number of outstanding shares.
[3] Weighted proportionally over time.
[4] Adjusted for stock dividend in 2014
* Revenue in 2019 from continued operations



Profile

Stern Groep N.V. is one of the largest automotive groups in the Netherlands. Stern is a listed company, financially solid and generates annual revenue of almost € 1,000 million with more than 1,850 (FTE) employees. 90% of its employees are male and 10% are female. 80% of the employees have permanent contracts. The shares of Stern Group N.V. are listed on Euronext Amsterdam.

With Dealergroup Stern, Stern has near-national coverage and represents 17 leading car brands including Mercedes-Benz, Renault, Nissan, Ford, Volvo, Land Rover, Kia and Opel. Stern has 75 branches in its network. Total sales of new and used passenger cars and light commercial vehicles amount to nearly 47,500 units.

Stern also offers services such as leasing, rental, insurance, finance, extended warranty, (brand-certified) car body repairs, light commercial vehicle interiors and lettering and electric vehicles for urban mobility.

Stern distinguishes itself by means of strong relationships with its customers and suppliers, committed and expert employees with specific knowledge and an extensive portfolio of relevant products and ancillary services. This enables us to respond effectively to current social and technological developments.

Mission

Stern wants to give people more feeling of freedom.

Ambition

Stern has set itself the goal of becoming the most valued and recommended partner for mobility solutions in the Netherlands.

Vision

Stern believes that mobility is a primary necessity for life, and that people prefer individual mobility. Nothing provides a sense of freedom like deciding the time and location of departure and planning your own route.

Core values

Engaged

We are sincerely interested in our customers and their mobility needs.

Inventive

We adopt a pragmatic approach and like to help customers with non-traditional solutions.

Loyal

We value our relationships and look to maintain them over the long term.

Portfolio of car brands

Mobility services

Private lease

Stern offers private lease solutions for the retail market, based on expected mileage and the contract term. A private lease from Stern is a more cost-effective option than the purchase of a new car in most cases.

Business lease

Stern offers various types of business lease. A full operating lease is the most popular option, in which Stern takes responsibility for complete maintenance of the car or fleet. Stern also offers financial leases or used car lease solutions.

Short lease

Stern offers short-term leases of a car or light commercial vehicle for terms from 1 to 24 months. The vehicle is provided from inventory and after one month the lease can be terminated on a daily basis. A short lease is a quick and flexible option.

Rental

With a fleet of approximately 3,000 cars, Stern meets the needs of consumers and businesses for temporary mobility in the form of car rental. Additionally, the company provides replacement transport and service rental for the customers of the group companies.

Used cars

Unlike its competitors in the used-car market, Stern offers additional services such as a warranty and breakdown assistance. Stern also adds unique value in the form of free periodic vehicle inspection (APK), a 30-day exchange guarantee and a fixed competitive all-in price.

Car body repair services

The network of Stern branches includes a large number of locations specialising in car body repair services. Repairs are carried out according to factory guidelines and only original parts are used. A large number of Dutch insurers have selected Stern as their preferred car body repair company.

Insurance

Stern offers car insurance for private persons and businesses with extensive cover, maximum security and clear terms and conditions. Customers have a choice between various forms of third-party, third-party, fire and theft or comprehensive insurance. Additional car-related insurance products are also available.

Parts

Stern's parts service delivers original parts throughout most of the Netherlands, with parts for all the Stern brands delivered several times a day. The delivery service brings the parts ordered directly to the stated address, or arrangements can be made to collect the parts from a Stern branch.

Financing

Stern offers car-related consumer and business financial products, such as hire purchase and financial lease. These products are exclusively available to customers who purchase or have previously purchased a car or other vehicle from a Stern company.

Light commercial vehicle interiors

Stern provides installation services for special light commercial vehicle interiors. Stern provides both standard and customised light commercial vehicle interiors. Dealergroup Stern makes extensive use of these services for its customers.

E-Mobility

Stern offers electric transport solutions up to 45 km per hour for use in urban areas, such as e-bicycles, e-scooters, e-cars and e-trucks. Stern offers the opportunity to view, feel and experience these products in its Electric Experience Center.

Lettering

Stern can provide lettering for any vehicle, including passenger cars, delivery vans and trucks. Anyone looking to personalise their passenger car or light commercial vehicle with a business logo or other customised lettering can rely on Stern for a professional design.

Shareholder information

At 5 March 2020

Stern Group issues only ordinary shares. The shares are either in bearer form or registered, at the option of the holder. The authorised share capital is € 900,000, divided into 9,000,000 ordinary shares of € 0.10. The issued capital amounts to € 592,500, consisting of 5,925,000 shares.

There are no shares with special controlling rights attached. Each share entitles the holder to cast one vote. There are no limitations on the exercise of the voting rights attached to shares. No depositary receipts for shares are issued.

The shares are listed on Euronext Amsterdam, where they are freely tradable.

Shares

Number issued	5,925,000
Number outstanding	5,675,000
Free float	35%

Share ownership by the Management Board

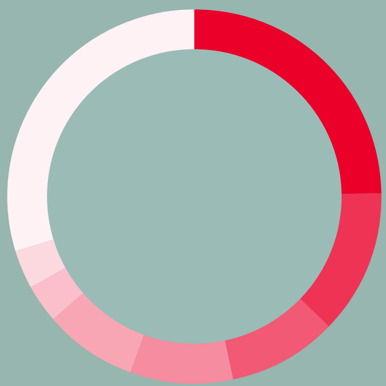
H.H. van der Kwast (via Merel Investments B.V.)	700,000

Share ownership by the Supervisory Board

D.R. Goeminne	25,000

Policy on bilateral contacts

Stern Group considers good relationships with each of its shareholders to be important and devotes much attention in this respect to careful communication with shareholders. Stern Group also considers it important that its shareholders - large or small - have equal access to information and Stern Group ensures this in various ways. Stern Group regularly issues press releases (with both financial and strategic information) and information provided during analyst meetings is published simultaneously on its website.

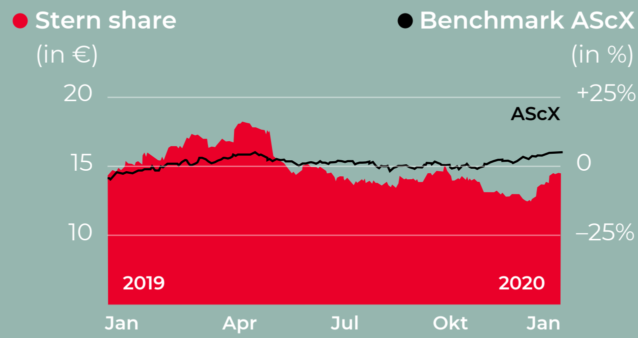


Shareholders

Stern Group is aware of the following holdings of 3% or more on the basis of the number of shares outstanding on 05 March 2020:

- 25.0% NPM Capital N.V.
- 12.3% Merel Investments B.V.
- 9.5% Bibiana Beheer B.V.
- 9.0% Otus Capital Management Ltd.
- 8.2% Teslin Participaties Coöperatief U.A.
- 3.3% Maga Micro Cap Fund
- 3.2% J.H. Langendoen
- 29.7% Shareholding < 3%

Price development/benchmark



Shareholder meetings and analyst meetings in 2020

General Meeting	07 May 2020
Analyst meetings	20 August 2020 and 4 March 2021

Key dates in 2020 and 2021

General Meeting	07 May 2020
Publication of first half results 2020	20 August 2020
Publication of annual figures 2020	04 March 2021
General Meeting	06 May 2021

Dividend

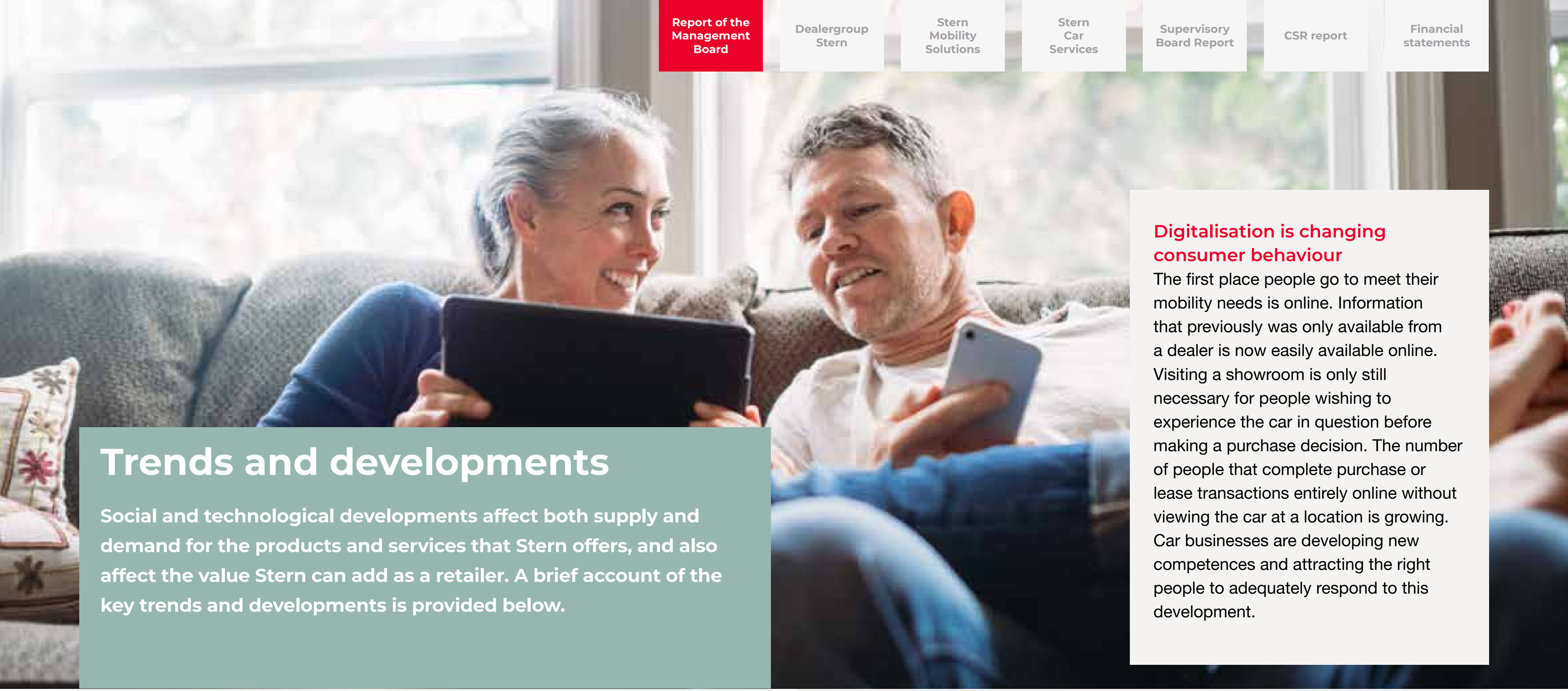
Dividend policy

Shareholders need a solid dividend return. The current dividend policy was approved by the General Meeting of 24 May 2012. Due to the volatility of some of its business activities, Stern Group uses a generous solvency ratio of 15% for the operations of Stern Mobility Solutions and 30% for the other group businesses. The excess solvency represents the maximum dividend that can be distributed by Stern Group.

The dividend policy remains unchanged after adjustment for IFRS 15 and 16. This will be further explained at the General Meeting on 7 May 2020.

Payment

A total of € 3.50 was distributed in interim dividend in 2019. On 26 March 2020, a proposal for a final dividend will be published together with the convening notice for the General Meeting on 7 May 2020.



Trends and developments

Social and technological developments affect both supply and demand for the products and services that Stern offers, and also affect the value Stern can add as a retailer. A brief account of the key trends and developments is provided below.

Digitalisation is changing consumer behaviour

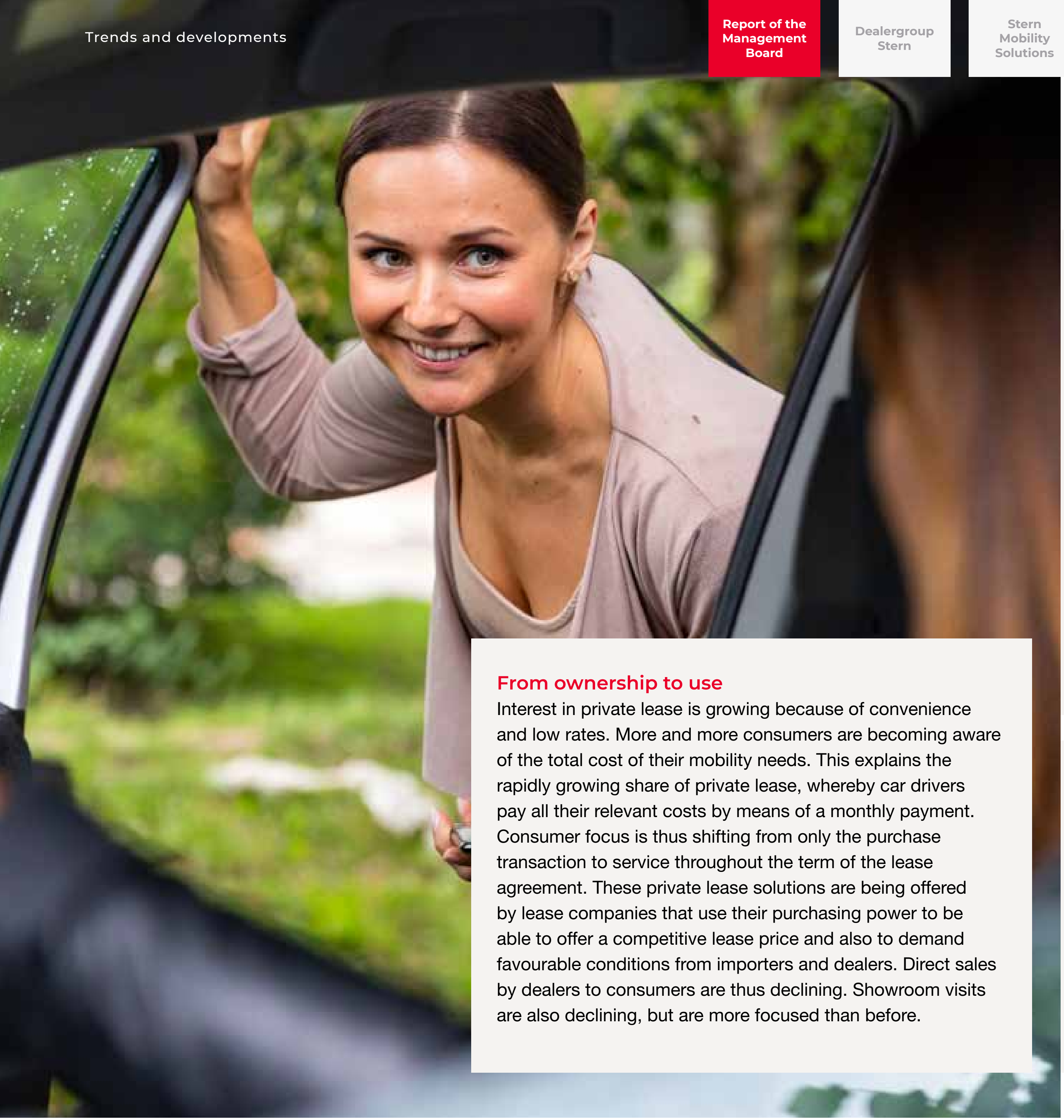
The first place people go to meet their mobility needs is online. Information that previously was only available from a dealer is now easily available online. Visiting a showroom is only still necessary for people wishing to experience the car in question before making a purchase decision. The number of people that complete purchase or lease transactions entirely online without viewing the car at a location is growing. Car businesses are developing new competences and attracting the right people to adequately respond to this development.

Sustainability

Now that the effects of climate change are becoming increasingly clear, sustainability is one of the most important themes of our times. Living and consuming cleanly without harming the climate are becoming increasingly important. Sustainable mobility is now a high priority both nationally and in many cities, and involves more than reducing CO_2 emissions. Air quality, noise, safety and accessibility are also key issues. Governments are encouraging demand for cleaner transport solutions and are imposing restrictions on the combustion engines that cause the most pollution.

Digitalisation is sharpening relationships in the distribution chain

Traditionally, the dealer has been the last link in the distribution chain and could therefore rely on direct customer contact. Technological developments are now allowing car manufacturers to build relationships with the end users. Universal lease companies are also working on building direct relationships with customers. Dealers are thus being forced to continually breathe new life into their customer relationships. Dealer outlets are becoming experience centres and the collection, storage, monitoring and analysis of customer data has now become strategically important for retaining added value in the chain.



From ownership to use

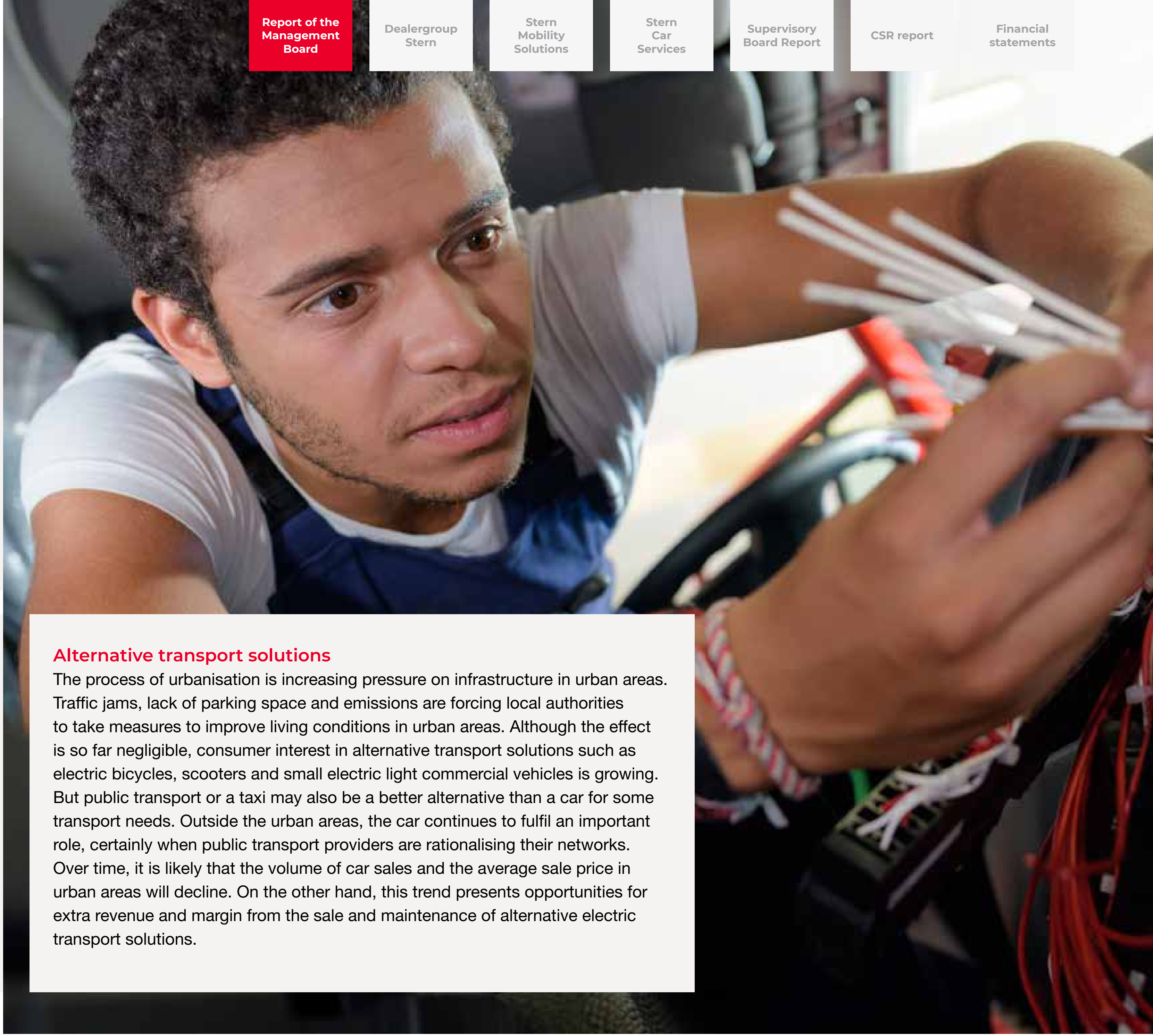
Interest in private lease is growing because of convenience and low rates. More and more consumers are becoming aware of the total cost of their mobility needs. This explains the rapidly growing share of private lease, whereby car drivers pay all their relevant costs by means of a monthly payment. Consumer focus is thus shifting from only the purchase transaction to service throughout the term of the lease agreement. These private lease solutions are being offered by lease companies that use their purchasing power to be able to offer a competitive lease price and also to demand favourable conditions from importers and dealers. Direct sales by dealers to consumers are thus declining. Showroom visits are also declining, but are more focused than before.

Cost shift in the chain

Without exception, car importers are estimating their market share each year at a higher level than is realistic. This has led to the Netherlands being flooded year after year with a supply of cars that far exceeds market demand. On the other hand, the importers are carrying hardly any inventory in comparison to past levels. Too often, unrealistic targets are being imposed on dealers, and, with the help of support and special offers, dealers are being tempted and to some extent forced to take unsold cars onto their books, thus putting dealer margins under more pressure than necessary and further increasing the working capital requirement.
The car manufacturers are shifting the costs of distribution in the value chain and are focusing on fewer dealer outlets, but at the same time are demanding heavy investment in premises, systems and working practices.

Car technology is strengthening the position of the brand channel

The development of car technology means that new cars require less maintenance, but at the same time this is so brand-specific that car drivers are increasingly bound to the brand channel for maintenance, repairs and car body repairs. So while the total after-sales market is contracting slightly, the market share of brand dealers in after-sales is increasing as a result of this development. Brand-certified repairers are also benefiting from this development.



Electrification of the fleet

The number of models that are fully powered by electricity is increasing, however the proportion of these vehicles in the total fleet in the Netherlands is still very small. 100% electric cars have significantly fewer parts subject to wear and tear than cars powered by a combustion engine. While the technological developments in this field seem to be proceeding rapidly, conventional cars will continue to dominate our streets for many years to come. Over time, the electrification of the fleet will also become visible in the workshops of the car companies.

Self-driving cars

In the longer term, cars will be able to complete large parts of a journey without the intervention of a driver. While the technological developments in this field seem to be proceeding rapidly, conventional cars will continue to be driven for decades to come. In the long term, the success of self-driving cars may lead to smaller fleets, as long as consumers are generally willing to share transport with each other.

Alternative transport solutions

The process of urbanisation is increasing pressure on infrastructure in urban areas. Traffic jams, lack of parking space and emissions are forcing local authorities to take measures to improve living conditions in urban areas. Although the effect is so far negligible, consumer interest in alternative transport solutions such as electric bicycles, scooters and small electric light commercial vehicles is growing. But public transport or a taxi may also be a better alternative than a car for some transport needs. Outside the urban areas, the car continues to fulfil an important role, certainly when public transport providers are rationalising their networks. Over time, it is likely that the volume of car sales and the average sale price in urban areas will decline. On the other hand, this trend presents opportunities for extra revenue and margin from the sale and maintenance of alternative electric transport solutions.

SWOT

Strengths

- Financial position
- Broad mobility proposition
- Large customer portfolio
- Experienced employees with extensive technical expertise
- Broad portfolio of leading car brands
- Relationships with car manufacturers
- Diverse data on customers, products, processes, etc.
- Network of car body repair businesses with national relevance
- Nationwide network for car rental

Opportunities

- More and better customer contact through digitalisation
- Creation of value by careful accumulation and enrichment of data
- Increase efficiency and lead conversion through data analysis
- Entering into national or international partnerships
- Accelerate growth of volume of OEM (Original Equipment Manufacturer) parts sales
- Success of brand-certified car body repairs
- Internationalisation of car distribution
- Used car market much larger than the market for new cars

Weaknesses

- Low market share per brand in some cases
- Transaction-oriented culture
- Many different ICT systems
- Multiple dealer names
- Return from dealerships compared to capital requirement too low

Threats

- Cyclical nature of car sales
- Investment pressure from importers
- Potential for car manufacturers to communicate directly with car drivers
- Digitalisation is attracting new providers
- Continuing margin pressure
- Declining maintenance needs for cars over time
- Popularity of alternative transport solutions
- Limited potential for growth in the Netherlands

Customer Journey

Insight into and choice of mobility requirement

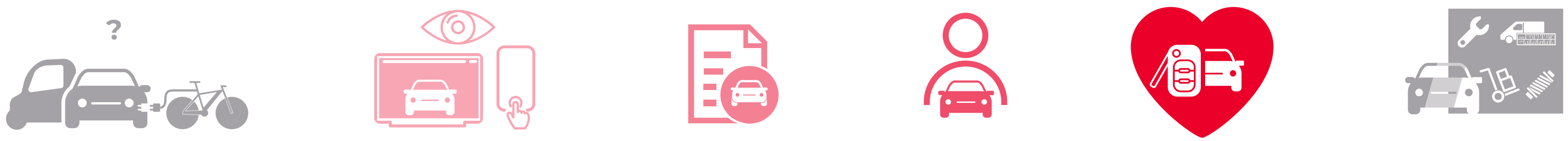
Orientation

Advice on products & services

Decision-making

Collection

Continued driving



Stern's role

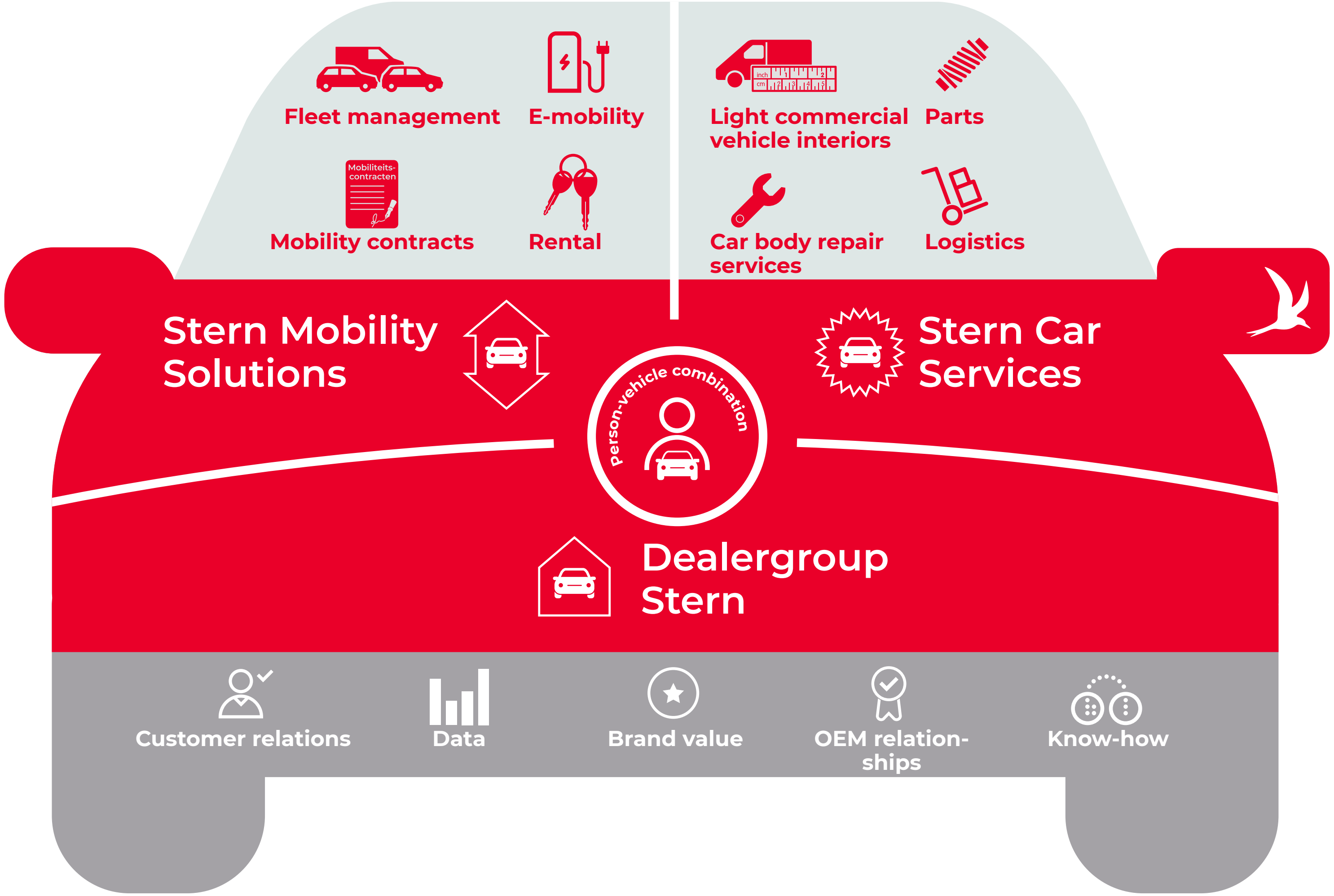
Offering a choice
Online dealer network

Advice
Mobility solutions
Lease
Financing
Insurance
Fleet management
Car rental

Resolution
Passenger cars
Light commercial vehicles
E-mobility

Taking care of issues
Car body repair services
Maintenance
Parts
Logistics
Advice
Fleet management
Light commercial vehicle interiors
Car rental

Business model



Report of the Management Board

Studies show that all around the world, people spend just over an hour on average travelling. The distances we travel every day have increased substantially over the years, but one hour is still the average time spent. One could say that mobility is a primary requirement for life.

Stern believes that given the choice, people prefer to choose the time of their departure and the route they will take themselves. We call this individual mobility, and we believe people much prefer this option. In this lies Stern's right to exist. The car is a traditional and popular means of personal transport. We facilitate this with the many car brands and additional services that we offer, since people's mobility needs vary and Stern strives to offer a personalised service.

Stern pursues an integrated market approach in which its activities reinforce each other. The car is the link between our various activities. Customers can buy, finance, lease, maintain and repair, hire, convert, apply vehicle lettering, restore, value and re-sell new and used cars (and in the last few years, other personal mobility solutions as well). Our added value lies in our ability to understand, analyse and follow the mobility needs of our customers and then respond to these needs simply, quickly and satisfactorily.

Over the years, Stern has become a platform that sells the products of third parties – the car manufacturers – and itself benefits from its after-sales service and repairs arising from sales. For this, we work together with specialists inside and outside the industry. After the sale of SternLease in 2019, ALD Automotive facilitates several white label lease products that Stern resells. In 2010, Stern Finance was sold to Bovemij, which has since that time offered finance and insurance services that are sold by Stern dealerships. Stern is the link between a growing number of private and business customers and the products of several manufacturers and service providers.

Personal mobility is certainly undergoing change. Due to traffic jams on the roads and in cities, growing awareness of environmental factors and the rapid development of digitalisation, demand is changing and new alternative transport solutions are becoming available. Electric steps, speed pedelecs, e-cars, shared cars, private lease, Uber and Tesla are all developments in recent years that are now competing with traditional cars. Public transport in heavily urbanised areas such as the Randstad is also an alternative gaining popularity.

The car manufacturers are not standing idle and are all busy producing electrically powered models that require much less maintenance. And they are building direct relationships with car drivers through the Internet. The investments the manufacturers have to make in these new technologies are putting further pressure on margins in the supply chain. Large manufacturers are merging and looking for ways to change the distribution model. The roles of importers and dealers in the chain are therefore also changing. Stern believes that sales at dealers will change in the coming years into an agency, or that large dealer holding companies will increasingly fulfil a wholesaler function. Large dealer holding companies could even become importers. In all scenarios, dealer networks will have to be rationalised and advantages of scale will become even more important. More than ever before, car businesses and their employees will need to be adaptable and flexible.

It is not only demand for and supply of mobility solutions that is changing, the way in which people search for a solution that suits them has radically changed as a result of the internet. 90% of the customer journey taken by someone considering the purchase of a car takes place online. Cars for sale throughout the country can be viewed by interested buyers at home or en route, so cars much further away from home can be bought. And the number of times that a buyer visits a dealership before making a purchase has decline from an average of five to less than one and a half. Large international online specialists with no background in automotive such as Google, eBay and Amazon have now won a prominent position in the online orientation and purchase process of car buyers. Closer to home, the large lease companies have also internalised the online behaviour of car buyers and are offering non-brand-specific private lease solutions.

Demand for and supply of mobility solutions will also be more than ever determined by the growing awareness of environmental factors. This will affect the products that we will offer on our platform and the way in which Stern monitors the impact of its own business on society at large. The achievement of 2-year Erkend Duurzaam Premium certification at the end of December 2019 shows the extent to which we are continuously aware of the sustainability aspects relevant to the operation of our business.

But the size of the fleet in the Netherlands has continued to grow in recent years. Still, management means foresight. Stern believes that all these trends and developments will ultimately radically change the traditional way in which people buy and use cars. Car businesses throughout Europe will be forced to reconsider how they add value for customers and adjust their business models. This will require heavy investment in digitalisation, new expertise and other competences. And most of all, focus. Focus on what constitutes the value of the company.

In 2019 we sold SternLease, Heron Auto and Mango Mobility, and we reduced the number of our dealerships by means of mergers and closures. We had to make hard decisions based on the contribution and relevance of brands and activities. This has significantly strengthened Stern's financial position, and has prepared our business for international partnership. Our position in the Dutch market and our vision of mobility and automotive services makes Stern an attractive partner for other European automotive businesses.

Our key priorities for 2020 are: the realisation of a modern online platform, increased volume and margin on sales of used cars and parts, more workshop completions with the same resources and further optimisation of the Stern dealership network through hard decisions with respect to brands and branches. We are working on building a modern version of Stern, so that we are strong and lean and continue to be adaptable.

To clarify our market profile, in 2020 we will part with the different bird names of our car businesses by continuing all our operations under the brand name of Stern.

The potential merger with Hedin Automotive of Sweden currently being studied fits with our strategy and our ambitions. The new combination will be more relevant in today's market for all our stakeholders and will present very promising prospects for the 'way forward' for our group that has been built with care over the past 27 years.

Financial situation

Result after tax

A record profit after tax of € 21.4 million was realised in 2019. This is € 21.0 million higher than in 2018. This profit is affected by the proceeds of the sale of the lease operations in May 2019, the non-recurring costs relating to reorganisations effected at Dealergroup Stern and the holding companies, as well as the non-recurring reorganisation costs and book loss relating to the sale of the mobility scooter operations of Mango Mobility.

The book profit on the sale of SternLease, the operating profit of SternLease and the result on the sale of the mobility scooter operations of Mango Mobility at the end of 2019 are presented as profit from discontinued operations in the 2019 financial statements, in accordance with IFRS.
Under IFRS, the costs of the reorganisation at Dealergroup Stern and the holding companies (amounting to € 4.3 million in 2019) are not presented separately, they are recognised in the profit from continued operations.

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 where relevant. While the negative effect of the introduction of IFRS 16 on profit is limited, the effect on presentation is substantial. The effects in 2019 are:

- operating profit up € 2.8 million;
- interest expense up € 3.4 million.

On a net basis, the profit before tax is therefore € 0.6 million lower as a result of the introduction of IFRS 16.

Continued operations generated a pre-tax loss of € 4.2 million in 2019. Adjusted for the € 4.4 million reorganisation costs at Dealergroup Stern and the holding companies, there was a profit of € 0.2 million. A pre-tax loss of € 5.7 million was realised on continued operations in 2018. Compared to 2018 therefore, operating profit has improved by approximately € 5.9 million. This improvement was largely due to the higher operating profit at Dealergroup Stern. Despite continuing pressure on volume and prices, which led to a lower sales margin compared to 2018, improved efficiency in the workshops and substantial savings on employee expenses from a reduction in the number of (non-productive) FTEs and savings on operating expenses enabled us to significantly improve our operating profit.

The Management Board uses alternative performance indicators that are not defined in IFRS. These are used because they provide additional insight into the company's performance. EBIT is defined in the financial statements. The EBIT and EBITDA thus derived used in the Report of the Management Board are therefore traceable.

Profit from discontinued operations

The composition of this item is as follows:

(x € 1.000)	2019	2018
Profit from sale of SternLease and Mango Mobility	**29,798**	–
Operating profit SternLease B.V. (until 31 May 2019)	**4,283**	10,306
Operating profit/(loss) Mango Mobility B.V.	**(3,160)**	(1,234)
Gross revenue	**30,921**	9,072
Tax on profit	**(8,345)**	(4,580)
Total	**22,576**	**4,492**

On 1 March 2019, agreement was reached with ALD Automotive regarding the sale of all the shares in SternLease B.V. At the same time, a 7-year strategic partnership agreement was concluded with ALD Automotive for the introduction of lease contracts and the delivery of cars and mobility services by Stern. The transaction was settled on 31 May 2019, after approval by the shareholders at the General Meeting on 9 May 2019.

The sale price of SternLease came to € 88.6 million, based on the equity on the date of the sale (31 May 2019) and goodwill per contract. The number of lease contracts was 13,840, meaning that a strong increase of 1,416 contracts was realised between January and the end of May 2019.

The book gain on the sale of SternLease B.V. came to € 30.5 million before tax.
The calculation of the book gain takes account of the write-down of € 8.1 million in goodwill for the segment Stern Mobility Solutions.
In connection with the sale, the measured deferred tax of the fiscal unity Stern Leasing N.V. was written down to € 8.1 million against this book gain. This amount is included in the € 8.3 million tax on profit from discontinued operations. The net book gain remaining after tax on the SternLease transaction is approximately € 22.4 million.

The **operating profit of SternLease** for the period 1 January to 31 May 2019 was € 4.3 million and is recognised as profit on discontinued operations. The comparative figures have been adjusted. The operating profit for the whole of 2018 came to € 10.3 million.

On 7 December 2019, agreement was reached with Freerider Corporation regarding the sale of the mobility scooter operations of Mango Mobility on 31 December 2019. Freerider has also taken over the associated warranty obligations and maintenance contracts in their entirety.

The sale of Mango Mobility is part of Stern's strategy, which has been revised after the successfully completed sale of SternLease to ALD Automotive in May. Mango Mobility made a loss in 2018, also after applying a different approach, and was still loss-making in 2019 and the situation was actually deteriorating further. It was therefore no longer appropriate to continue to be actively involved in the mobility scooter market from a business point of view.

The transaction was settled on 31 December 2019, with a book loss of € 0.7 million before tax. The operating result of Mango Mobility in 2019 and 2018, as well as the reorganisation costs at Mango Mobility in 2019 and the loss on the sale of the operations is recognised in profit on discontinued operations.

Revenue

The development of revenue broken down by segment was as follows:

(x € 1.000)	2019	2018	Index
Dealergroup Stern (including BPM)	**1,187,557**	1,203,646	98.7
Stern Mobility Solutions	**54,647**	45,958	118.9
Stern Car Services	**35,384**	35,544	99.5
Gross revenue	**1,277,588**	1,285,148	99.4
Elimination IC and internal revenue	**(175,713)**	(205,385)	85.6
BPM	**(112,540)**	(91,057)	123.6
Net revenue	**989,335**	988,706	100.1

Revenue at Dealergroup Stern declined marginally on balance by € 16.1 million (1.3%) to € 1,187.6 million. After the sale of the lease operations, the Stern Mobility Solutions segment now consists exclusively of the rental operations of SternRent. Revenue increased by € 8.7 million (18.9%) to € 54.6 million, mainly due to higher sales of returned rental cars. Revenue at Stern Car Services remained virtually unchanged at € 35.4 million, despite the closure of the branches in Amsterdam-Zuidoost in October 2018, in Amsterdam-West at the end of 2018 and in Bunnik in May 2019.

Operating profit (EBIT)

The breakdown of the operating profit into segments is as follows:

(x € 1.000)	2019	2018
Dealergroup Stern	**5,533**	3,239
Stern Mobility Solutions	**634**	235
Stern Car Services	**213**	(665)
Other	**(3,651)**	(4,372)
	2,729	(1,563)

The operating profit of Dealergroup Stern rose € 2.3 million to € 5.3 million (0.5% of revenue, excluding BPM). The operating profit in 2019 includes the following non-recurring items:

- a positive effect of € 2.8 million due to the introduction of IFRS 16;
- a negative effect of € 4.3 million due to the reorganisation effected in 2019.

These non-recurring items had a net negative effect of € 1.5 million on the EBIT of Dealergroup Stern. The normalised EBIT in 2019 accordingly comes to € 7.0 million (0.7% of revenue excluding BPM) compared to 0.3% in 2018.

The margin on sales of new and used cars declined by € 4.6 million (10.1%), mainly due to the margin on new passenger cars. There were 2,733 fewer new passenger cars delivered (11.5%), the average sale price (excluding BPM) was 2.0% lower in 2019 and the relative margin on sales of new passenger cars declined slightly. The lower relative margin was partly due to the increased proportion of sales to lease companies and large (fleet) customers. At Dealergroup Stern, this proportion rose from 65.1% in 2018 to 71.6% in 2019, mainly due to the continuing growth of private lease, which is reducing direct sales to private customers and increasing sales to lease companies (for the same driver of the car). Nationally, lease and fleet customers accounted for 73.9% of sales in 2019 compared to 69.1% in 2018.

Revenue from the workshops of Dealergroup Stern was slightly lower in 2019 (€ 1.3 million, or 1.3%). This was partly due to the closure of nine branches in the course of 2019. This was the reason that the average number of mechanics was 5.3% lower in 2019 than in 2018. Improved efficiency in the workshops as a result of the Focus on Value project initiated in mid-2018, the margin at the workshops increased by € 0.8 million (1.0%). As a result of the decline in the average number of mechanics, meaning lower employee expenses for mechanics, the contribution from workshops (the margin less direct employee expenses) was € 1.8 million (6.3%), significantly higher than in 2018.

Employee expenses at Dealergroup Stern were € 2.7 million (3.0%) lower than in 2018, despite the reorganisation costs included of € 2.8 million and despite the CLA increases (0.75% with effect from 1 July 2018 and 3.1% with effect from 1 February 2019).
The number of FTEs at Dealergroup Stern at year-end 2019 was 1,451, a decrease of 119 (7.4%) compared to year-end 2018.

The other operating expenses at Dealergroup Stern were € 0.2 million (0.2%) lower than in 2018, despite the reorganisation costs included of € 1.8 million. After adjustment for this, operating expenses were down by 3.0%.

The operating profit of Stern Mobility Solutions (which concerned only SternRent at year-end 2019) came to € 0.6 million, an increase of € 0.4 million on 2018. The higher operating profit was due to a larger average fleet in 2019 (average in 2019: 2,767 vehicles compared to an average of 2,638 in 2018). The utilisation ratio of the fleet was virtually unchanged at 74.9%.
The total number of rental days in 2019 was: 756,000, an increase of 3.9% compared to 2018 (when rental days came to 728,000).

The operating profit of Stern Car Services came to € 0.2 million, an increase of € 0.9 million on 2018. The improvement was due to the further optimisation of the branch network, improved efficiency in business processes and the extra car body repair referrals from ALD Automotive as a result of the partnership agreement concluded at the time of the sale of SternLease B.V. at the end of May 2019. This referral of car body repairs got off to a slow start, but had reached the agreed level by year-end 2019.

The operating result of the Other segment was € 3.7 million negative in 2019 compared to € 4.4 million negative in 2018. As in 2018, the figure was affected by a number of non-recurring items in 2019.
The profit in 2019 was affected by the following **non-recurring items**:

- approximately € 1.6 million in reorganisation costs. This mainly concerns the write-down of residual book values of branches closed in 2019 and the formation of a reserve for redundancy costs of employees in central services. Reorganisation costs in 2018 amounted to € 0.9 million;
- the not recharged costs of centralising the Customer Service Center (CSC) of Dealergroup Stern came to approximately € 0.7 million. The start-up costs for the CSC in 2018 came to € 1.0 million.

In addition to these non-recurring items, a significant portion of the negative result concerns holding costs that were not recharged. Stern has intentionally decided not to recharge all the holding costs to the segments, meaning that the Other segment will realise a negative operating profit by definition.

There were non-recurring income items as well as **non-recurring expense** items.
A net book gain of € 1.0 million was realised for the sale of four premises in 2019.
The operating profit in 2018 included a book gain on the sale of two premises of € 2.1 million.

The interest in Bovemij Verzekeringsgroep N.V. is measured by Stern at fair value.
For details of the method used, see note 17 to the 2019 financial statements. Changes in value resulting from these valuations and dividends received are recognised in the Other segment under other operating income. This led to an income of € 0.3 million in 2019, while in 2018 there was a gain of € 1.2 million.
Finally, a gain of € 1.2 million was realised in 2019 from the buy-out of a lease contract.

Operating profit before depreciation and amortisation (EBITDA)

The result before interest, tax and depreciation and amortisation on property, plant and equipment and intangible assets (EBITDA) is as follows:

(x € 1.000)	2019	2018	Index
Dealergroup Stern	**8,590**	6,493	132.3
Stern Mobility Solutions	**10,754**	9,727	110.6
Stern Car Services	**911**	(46)	(1,978.5)
Other	**1,490**	(798)	(186.7)
EBITDA (gross)	**21,744**	15,377	141.4
IFRS 16 (in Dealergroup Stern)	**15,928**	–	
	37,672	15,377	
By cost of sales			
Depreciation and interest lease and rental	**(10,059)**	(8,705)	115.6
EBITDA (net)	**27,614**	6,672	413.9

In accordance with the provisions of IFRS, interest and depreciation expenses for the rental operations are recognised under cost of sales. The adjustment in relation to IFRS 16 is presented separately for comparative purposes and relates to the segment Dealergroup Stern.Before application of the effects of IFRS 16, gross EBITDA in 2019 came to € 21.7 million, an increase of 41.4% compared to 2018.

Other operating income concerns among other things rental income of € 3.4 million (2018: € 1.9 million), dividend received and the revaluation of the interest in Bovemij Verzekeringsgroep N.V of € 0.3 million (2018: € 1.2 million) and the book gain on the sale of premises of € 1.0 million (2018: € 2.1 million).

Result from participating interests The result from participating interests of € 1.0 million consists of Stern's share in the minority holdings in a number of cooperatives for fleets managed by Stern. In anticipation of the sale of SternLease B.V. to ALD Automotive, the lease contracts of most cooperatives were transferred to SternLease B.V. The last two cooperatives that still actually manage lease contracts will be terminated in 2020.

The financial expenses in 2019 include the € 3.4 million in interest in connection with IFRS 16. Without this interest, the finance expenses amounted to € 3.7 million, a decrease of € 0.6 million compared to 2018. The decrease was due to the changed finance structure of Stern Groep N.V. after the sale of SternLease B.V. Working capital was reduced due to the introduction of tight monitoring of the use of working capital by Dealergroup Stern, but is still around € 40 million higher than target as a result of the continuing inventory and registration pressure coming from the importers.

Tax on result on continued operations The pre-tax result on continued operations came to a loss of € 4.2 million in 2019. Tax on the result in 2019 came to a gain of € 3.0 million, and concerns a regular tax gain of € 1.1 million and a non-recurring tax credit of € 1.9 million. The result after tax in 2019 accordingly came to a loss of € 1.2 million.

The non-recurring tax gain of € 1.9 million relates mainly to the higher valuation of the deferred tax asset due to forward carry-over losses. At the end of 2018, this was valued at the ultimate rate of 20.5% as adopted in an amendment by the Dutch Senate in December 2018. The government's plans have now changed, and new legislation has been adopted that sets the rate ultimately at 21.7%.

There was no actual outward cash flow in relation to corporate income tax in 2019.

Statement of financial position The statements of financial position at year-end 2019 and year-end 2018 are not directly comparable, due to the sale of SternLease B.V. and the introduction of IFRS 16. Briefly, the effect of this is as follows:

- the introduction of IFRS 16 led to an increase in the pro-forma balance sheet total on 1 January 2019 of € 129.1 million and a decrease in equity on that date of € 4.3 million (see the note on page 19 of these financial statements);
- the sale of SternLease led to a decrease in the balance sheet total of approximately € 248.2 million (see note 3 to these financial statements).

The net effect is a decrease in the balance sheet total of € 123.1 million. Adjusted for these two items, the normalised balance sheet total at year-end 2018 was € 557.4 million.

The sale of Heron Auto B.V. to Broekhuis Group was announced in a press release on 9 December 2019, and the shares were transferred on 2 January 2020. The operating profit of Heron Auto B.V. to 31 December 2019 is recognised as profit from continued operations in accordance with IFRS. The assets and liabilities of Heron Auto B.V. are recognised on 31 December 2019 as assets and liabilities held for sale. This does not affect the balance sheet total, but there is of course an effect on the composition of the balance sheet items.

The balance sheet total stood at € 573.4 million at year-end 2019, compared to a normalised balance sheet total of € 552.3 million at year-end 2018.
€ 4.5 million of the increase of € 16.0 million (2.9%) was due to the increase in the rental portfolio, and € 6.3 million was due to an increase in trade receivables. The increase in trade receivables was due to the delivery of mainly electric cars to lease companies until the end of December 2019. Normally there are no further deliveries to lease companies after the end of November.
Deliveries continued until the end of December in 2019, due to the changes to the additional tax liability rules for electric cars in 2020.

The annual **impairment test** of goodwill was carried out at the end of 2019. This did not lead to a recognition of impairment. The measurement of the deferred tax asset was also assessed. Details of the impairment test (note 13) and the deferred tax asset item (note 10) are provided in the financial statements.

Equity declined in the year by € 2.5 million to € 152.6 million at year-end 2019. The decline is due to:

- the profit after tax in 2019 of € 21.4 million;
- the distribution of € 3.50 in interim dividend per share, which led to a decline in equity of € 19.9 million;
- the negative effect on the opening assets due to the application of IFRS 16, negative effect € 4.3 million;
- the positive change in value of the interest-rate swaps of € 0.4 million.

Solvency Stern Group's overall solvency at year-end 2019 stood at 26.6% (2018: 23.0%). The positive effect on the solvency ratio due to the sale of Heron Auto B.V. on 2 January 2020 is approximately 3.0%.
At year-end 2019, the solvency ratio relevant to the bank covenants (after deduction of goodwill) stood at 31.5%. The minimum solvency level agreed with the banks is 30.0%.

The current dividend policy was established by the General Meeting in May 2012.
An interim dividend of € 3.50 was distributed in 2019. On 26 March 2020, a proposal for a final dividend will be published together with the convening notice for the General Meeting on 7 May 2020.

Shares and earnings per share The number of issued shares remained unchanged in the reporting year at 5,925,000. At year-end 2019, the company had 250,000 of its own – not cancelled – shares in portfolio. This is the same as at year-end 2018.
The weighted average number of outstanding shares in 2019 was 5,675,000 (2018: 5,675,000) Based on the weighted average number of outstanding shares, earnings per share in 2019 amounted to € 3.77 (2018: € 0.09), Earnings per share from continued operations in 2019 were € 0.21 negative (2018: € 0.71 negative).

Equity per share Equity per share, calculated on the basis of the number of outstanding shares, came to € 26.90 at year-end 2019 (year-end 2018: € 27.34).

Financing

Stern Groep N.V. has facilities with credit institutions, with € 60.0 million available for retail financing, € 46.8 million of which was drawn down at 31 December 2019 (2018: limit of € 80.0 million and drawdown of € 57.8 million). The banks providing finance are ABN AMRO (36.67%), ING (36.67%) and Rabobank (26.67%). The facility will be reduced to € 57.0 million in mid-2020 and to € 54.0 million in mid-2021. The facility is secured by a pledge on the trade receivables, the inventory of new passenger cars and commercial vehicles paid for and the business inventory. The facility runs until 31 May 2022 and the interest rate is 3-month Euribor plus a spread.

Regarding the facilities at credit institutions, agreements have been made with respect to minimum levels for ratios relating to solvency and the interest coverage ratio (ICR). The solvency ratio (adjusted for goodwill) must be at least 30%. The bank covenants stipulate a minimum ICR of 3.00. Other agreements have been made with respect to the ICR in 2019 (the minimum ICR until Q3-2019 is 2.50).

This concerns a 12-month ICR that is calculated quarterly on the basis of EBITDA and the net interest expenses over the past 12 months. The ICR is the result of EBITDA divided by net interest expense. In 2019, the costs of reorganisations and the optimising of Dealergroup Stern and the Overhead were allowed to be omitted from this calculation. Incidental costs of € 1.25 million were also left out of consideration. The bank covenants state that the new reporting standards will not affect the calculated ratios.
Stern Groep N.V. operated within the agreed ratios during 2019.

In addition to the captive finance company of Stern Auto, Mercedes-Benz Financial Services is also an important partner for the finance of the entire inventory of used passenger cars and light commercial vehicles of Dealergroup Stern and the rental fleet of SternRent. Based on a borrowing base, Stern has a facility with a limit of € 57.0 million for the financing of its entire used inventory and a limit of € 45.0 million for the financing of its rental fleet. Both these facilities have an unlimited term and a notice period of 13 months. The limit is reset each year after a credit review by MBFS.

Volkswagen Pon Financial Services (DFM) is the partner of Heron Auto for the financing of the inventory of used passenger cars and light commercial vehicles and for the financing of working capital. The facility is based on a borrowing base and has a limit of € 11.0 million. The agreement is for an indefinite term. In connection with the sale of Heron Auto on 2 January 2020, this facility was terminated on this date.

Dealergroup Stern uses various credit lines at finance companies of the car manufacturers (captives) for the financing of the inventory of newly registered and unregistered passenger cars, light commercial vehicles and demonstration cars. The total available facility at year-end 2019 was € 173.8 million.
The financing costs and terms and conditions of the captive financing companies vary, and are increasingly related to the performance of related car dealerships with respect to sales of financial mobility products of the captive or the car brand in question The use of credit from the captive financing companies will be optimised by applying Stern's credit with its banks where possible.

Cash flow

There was a positive cash flow from business operations in 2019 (€ 3.6 million), for details see the consolidated statement of cash flow on page 94 of this report.

Real estate and CSR

Property management focus on the future: sustainability the priority

Paul Snelting
Technical Manager
Property Management

Stern's business activities require a certain area of industrial space. Responsibility for managing this space lies with Paul Snelting, Technical Manager Real Estate Management. 2020 will mark his 50th year of working in the automotive industry – from mechanic to management – and he thus possesses excellent practical knowledge of the design and structure of automotive businesses.

78
premises

103
electric meters

91
gas meters

Electricity use
(kWh)

14,983
–4.5%
2018: 15,676

Gas use
(x 1,000 m³)

2,201.9
–1.7%
2018: 2,240.1

“On sustainability, Stern strives to remain among the leaders in the automotive industry – Stern is Erkend Duurzaam Premium certified by the Institute for Sustainable Mobility.”

“I started in this role, which was new at the time, in 2011. It covers everything apart from the actual purchase of the property,” says Paul. “Of course I am involved in that process as well, for instance assessing the status of an existing premises or the programme of requirements for a new-build. For Stern, it is almost all about car dealerships. Most premises are leased, and only a few are owned.”

“The challenge in property management is to achieve the best possible result. The importer, the employees at the premises and Stern itself all have their wishes and requirements. The importer is looking for a good-looking premises that reflects the brand’s house style, the employees need and efficient and pleasant working environment, and Stern needs to control its costs. We are also facing increasingly complex regulation, especially with respect to the environment and sustainability.”

Sustainability
“Sustainability has become a topic of much attention in the property business in recent years, and will become increasingly important in the future. The main issues in Stern’s sustainability policy with respect to property management are energy, waste management and working conditions,” adds Paul.

Energy
“We are able to monitor and respond to our energy use at each branch, in cooperation with our energy supplier.
Naturally, we look for best practices at branches that are leading the way in saving energy. With our new-builds, we apply the latest energy management technologies with respect to areas such as insulation, heating, lighting and energy generation. This involves the use of solar panels, heat pumps and LED lighting with movement sensors. We also of course consider it important to make existing premises more sustainable. Here too, this focuses on insulation, heating and lighting. The renovation of premises can also involve the removal of asbestos.”

Waste management
“For waste management, we look at how the procedures and provisions need to be structured. The issues here concern waste separation islands in the workshops, the removal of used liquids and the requirements for facilities such as car washes, such as the use of a water-saving installation.”

Working conditions
“Part of corporate social responsibility at Stern concerns the working conditions and efficiency for employees, which also influences the design of our premises. This covers both a sales and office environment that is a pleasure to work in, but also a workshop and warehouse in which employees can work safely and in good health. This involves optimal routing, the position of parts and the selection of workshop equipment such as inspection ramps. Stern takes advice from professionals in this area.”

“Investing in sustainability is also good for business. Energy-saving measures save money, not only because of reduced usage but also longer useful life, as is the case for LED lighting, for example. Removal of properly separated of waste flows costs less than the removal of unseparated residual waste. And a pleasant and healthy working environment increases vitality and job satisfaction for the personnel. And lastly, customers are increasingly preferring suppliers with a sustainable business operation.”

Transition to electric cars and property management
“I believe that the transition from fossil fuels to electric power will have a huge effect on the automotive industry and the workplace. This will affect the design of workshops and the loading infrastructure. Importers and manufacturers set requirements for the load capacity at a dealership. The electric power that is needed will place greater demands on the energy provision at a dealership and the hardware you will need for this,” says Paul.

Dealergroup Stern

The optimisation of the dealer network of Dealergroup Stern continued in 2019 with the aim of achieving permanent cost savings. Businesses are merged, divested or closed on the basis of continuing analysis of the value added by brands and individual branches.

New passenger cars
(number)

20,862
2018: 23,595

Market share
4.7%
2018: 5.3%

New light commercial vehicles
(number)

6,156
2018: 5,711

Market share
8.1%
2018: 7.2%

Used passenger cars and light commercial vehicles
(number)

20,480
2018: 22,490

Branches
(number)

57*
2018: 73

Employees
(FTEs)

1,451
2018: 1,570

* Reference date 5 March 2020

Passenger cars

	Mercedes-Benz	Renault	Ford	Volvo	Land Rover
Number	2,667	2,647	5,950	1,057	78
2018	2,327	4,555	5,119	1,089	78
Market share	13.9%	10.1%	23.5%	6.5%	6.0%
2018	14.9%	11.8%	20.7%	6.7%	4.7%

	Fiat	Volkswagen	Audi	Opel	Kia
Number	276	1,671	433	1,578	2,269
2018	690	1,856	393	1,814	2,672
Market share	6.9%	3.5%	2.7%	4.9%	9.0%
2018	8.7%	3.7%	2.8%	5.0%	10.1%

Other brands

Smart, Dacia, Nissan, Jaguar, Alfa Romeo, Jeep, Mitsubishi, Subaru, Seat and Skoda

Number
2,236
2018: 3,002

Light commercial vehicles

	Number	2018	Market share	2018
Mercedes-Benz	2,577	2018: 1,914	22.4%	2018: 16.3%
RENAULT Passion for life	564	2018: 907	6.5%	2018: 9.4%
NISSAN	84	2018: 68	7.6%	2018: 7.6%
Ford	2,086	2018: 1,951	20.1%	2018: 18.6%
FIAT PROFESSIONAL	110	2018: 133	2.3%	2018: 3.0%
	460	2018: 529	3.0%	2018: 3.2%
	275	2018: 209	4.2%	2018: 3.2%

The largest change occurred at the end of the year with the sale of Heron Auto, which operates in the eastern part of Noord-Holland as a dealer in the brands Volkswagen, Audi, Seat and Skoda. In total, the number of branches of Dealergroup Stern was reduced by nine in 2019. At the same time, investments were made in both the remaining network and in digital solutions supporting sales and service processes. After new Renault branches in Tilburg and Oss, new premises for Renault were constructed in 's-Hertogenbosch. The roll-out of Stern CRM, a uniform customer information system that will contribute to the provision of personalised services to private and business customers, was started at the end of 2019. Preparations were also made for the development of a new online platform that will replace all our existing websites in 2020.

There was further improvement in efficiency at our workshops in 2019. Based on shared KPIs and frequent consultation, best practices have been identified, with better results recorded at all workshops. Further digitalisation will reinforce this development in 2020.

Note on revenue at Dealergroup Stern

Revenue at Dealergroup Stern

The revenue of Dealergroup Stern before elimination of intercompany and internal revenue from sales of new and used passenger cars and light commercial vehicles was as follows:

Revenue Dealergroup Stern before elimination of intercompany and internal revenue

(x € 1.000)	2019	2018	Index
New passenger cars	**526,488**	568,641	92.6
New light commercial vehicles	**203,798**	159,164	128.0
Used passenger cars and light commercial vehicles	**257,391**	272,916	94.3
	987,677	**1,000,721**	**98.7**

446,000 new passenger cars were registered in the Netherlands in 2019, an increase of 0.5% compared to 2018 (444,000). Of the 21 brands carried, Dealergroup Stern sold a total of 269,000 new passenger cars in 2019, an increase of 9.0% compared to 2018 (296,000).
The number of fully electric cars registered in the Netherlands in 2019 was 62,000 compared to 25,000 in 2018, an increase of 147%. Dealergroup Stern sold a total of 1,011 fully electric cars in 2019, an increase of 45% compared to 2018.

Only 20.7% of these cars registered in the Netherlands were sold to private customers (2018: 25.8%) The vast majority of these cars were sold to lease companies and rental companies. Five years ago, the proportion sold to private customers was still around 40%. Sales to private customers are declining, mainly due to the strong growth of private lease, and sales to lease companies are rising. This is the main reason for the continuing margin pressure on new passenger cars in 2019.

Revenue from new passenger cars at Dealergroup Stern declined by 7.4%. Dealergroup Stern sold a total of 20,862 **new passenger cars** in 2019, an increase of 11.6% compared to 2018. Taking account of the Renault operations in Amsterdam sold in 2018, there has been an organic decline of 7.1% (compared to a 9.0% decrease in brands represented by Stern in the Netherlands).
The market share for new passenger cars was 4.7% (2018: 5.3% and organic 5.1%). The decline was due to the high numbers of Tesla cars registered in 2019. The market share of Dealergroup Stern compared to the national market for the brands represented by Stern was 7.7%, compared to 7.6% in organic terms in 2018.

76,000 new light commercial vehicles were registered in the Netherlands in 2019, a decrease of 3.5% compared to 2018 (79,000).
Dealergroup Stern sold a total of 6,156 **new light commercial vehicles** in 2019, an increase of 7.8% compared to 2018. Revenue from new light commercial vehicles at Dealergroup Stern rose by 28.0%.
The market share for new light commercial vehicles was 8.1%, compared to 7.2% in 2018. Part of Stern's strategy is to grow to a market share of at least 10.0% of the national market for light commercial vehicle brands carried by Stern over time. In 2019, this share was 10.5%.

Sales of used cars in the Netherlands amounted to 1,971,000 in 2019 (B2C and C2C combined), compared to 1,991,000 in 2018, a decline of 1.0%. The national BOVAG car dealers sold a total of 336,000 used cars to consumers in 2019, an increase of 1.9% compared to 2018.
Dealergroup Stern sold a total of 20,480 **used cars** in 2019, a decline of 8.9% compared to 2018. 12,268 of these cars were sold to end users (B2C) (2018: 12,674) and 10,565 to dealers (2018: 11,058).

Revenue from used cars at Dealergroup Stern declined by 5.7% compared to 2018. The number of used cars sold to end users was down 3.2%, while the number of used cars sold to the trade was down 16.3%.
Exchanges of used cars are declining, due to the declining number of private customers buying a new car (mainly due to the growth of private lease). In addition, an increasing number of used cars are being exported (303,000 in 2019 compared to 265,000 in 2018, an increase of 14.6%) due to the decent prices that can be achieved in other countries. As a result, used cars that can be sold by car dealers to end customers are becoming more scarce.
Dealergroup Stern will launch a new and attractive used car brand in the market in mid-2020 which, in combination with financial mobility products such as used car lease in partnership with ALD Automotive, should ensure growth, better margins and more autonomy.
All used cars sold to private individuals come with SternGarant as standard. This offers the consumer an extensive two-year warranty, as long as the car is maintained by a Stern company.

Revenue from after-sales at Dealergroup Stern

The revenue at Dealergroup Stern from workshops and warehouses before elimination of intercompany and internal revenue was as follows:

Revenue from after-sales at workshops and warehouses before elimination of intercompany and internal revenue

(x € 1.000)	2019	2018	Index
Workshops	**88,662**	89,870	98.7
Warehouses	**111,218**	113,055	98.4
	199,880	**202,925**	**98.5**

Revenue from workshops (including preparation costs for road use for new and used passenger cars and light commercial vehicles) was 1.3% lower in 2019 at € 88.7 million. This revenue was realised in 2019 with on average 5.3% fewer mechanics than in 2018. The revenue (hours times hourly rate) per mechanic rose 5.2% compared to 2018, partly due to a higher average hourly rate but mainly due to more hours invoiced per mechanic as a result of efficiency improvements as part of the Focus on Value project. Revenue per mechanic nationwide declined by 0.2%.

By selling used cars with SternGarant, a 2-year warranty product, there is high retention of these customers for workshop visits. Dealergroup Stern also uses a central **Customer Service Center** (CSC) whereby customers are actively approached for workshop bookings. In 2018, the local customer contact centres of Stern 1 (Mercedes-Benz), Stern 2 (Renault, Nissan and Dacia) and Stern 3 (Ford) were combined into a Customer Service Center (CSC) at a location in Amsterdam. The local CSC for Stern 4 (Volvo, Jaguar Land Rover, Fiat, Alfa, Jeep) was brought into the central CSC in mid-2019. Lastly, the CSC of Stern 5 (Opel, Kia and Mitsubishi) was transferred to the central CSC at the beginning of 2020.

Significant efforts were made, and costs incurred, in 2019 for the optimisation of the ICT systems in connection with the implementation of more digital processes for lead following in the CSC.
This represented a start on standardising our working processes, as a result of which performance (including the number of calls) will improve. There has been progress on the realisation of the central CSC and in the new approach to sales and after-sales on the basis of digital IT, but we are not yet where we want to be.

Revenue from warehouses at Dealergroup Stern consists of supplies of parts via the internal workshops, delivery of parts to large customers, such as multibrand garages and large car body repair chains and export customers (known as preliminary sales revenue). Revenue from parts through the workshops declined slightly (0.5%) in 2019. The ratio between revenue from parts through the workshops and revenue from the workshops is more or less constant, and the decline is in line with the decline in revenue hours in the workshops.

Preliminary sales revenue declined fractionally in 2019 (3.7%), mainly due to the lower number of branches (with nine branches closing in 2019) and a slight decrease in revenue from exports. An increasingly large proportion of the preliminary sales revenue of Dealergroup Stern is ordered centrally by customers and these customers are served by SternLogistics.
SternLogistics occupied a modern transshipment centre of 5,000 m^2 in the Amsterdam harbours in 2019, from which preliminary sales revenue customers are supplied. SternLogistics has a route service with national coverage that delivers parts for all the 21 car brands represented by Stern to its own repair businesses and also to multibrand garages and external car body repair companies. SternLogistics also provides logistics services for some non-Stern brands.

Stern Mobility Solutions

The most important development at the Stern Mobility Solutions division in 2019 was the sale of the lease operations to ALD Automotive. Despite the relatively strong organic growth of its own lease portfolio in recent years, Stern could not on its own develop this business to a sufficient scale in relation to the other activities of the group.

Fleet under management
(number)
11,071
2018: 16,062

Rental days sold
(number)
756,297
2018: 728,151

E-mobility products
(number)
3,595
2018: 3,470

Mobility contracts
(number)
57,560
2018: 71,748*

Employees
(FTEs)
90
2018: 198

* Including SternLease

Note on revenue at Stern Mobility Solutions

Consolidation in the lease market is currently accelerating as a result of mergers and acquisitions, and the growing popularity of private lease. As a result of this consolidation, there will be fewer and fewer parties with a hold on the part of the Dutch fleet that is relevant for Stern. To maintain its hold on this part of the fleet, Stern sees great benefits from the close partnership with ALD, and that it will benefit from a dealer group with a large network of branches, many leading brands and direct contact with a large customer group.
After the sale, the partnership with ALD Automotive has progressed satisfactorily in the second half of 2019. Dealergroup Stern is still offering its customers Stern lease solutions, but these are now arranged through ALD. This approach has previously proved to be successful after the sale of Stern Finance, our own intermediary for retail and commercial finance and insurance, to Bovemij in 2010. Stern has continued to sell finance and insurance products to consumers and businesses under its own label since that time.

This division also includes Stern's rental operations, besides the active management and development of the partnerships with ALD Automotive

Revenue Stern Mobility Solutions

Revenue before elimination of intercompany and internal revenue amounted to € 54.6 million in 2019, compared to € 45.5 million in 2018, an increase of 19.6%.

Revenue Stern Mobility Solutions before elimination of intercompany and internal revenue

(x € 1.000)	2019	2018	Index
Rental	**54,490**	45,548	119.6
SternPartners	**158**	411	38.4
	54,647	**45,959**	**118.9**

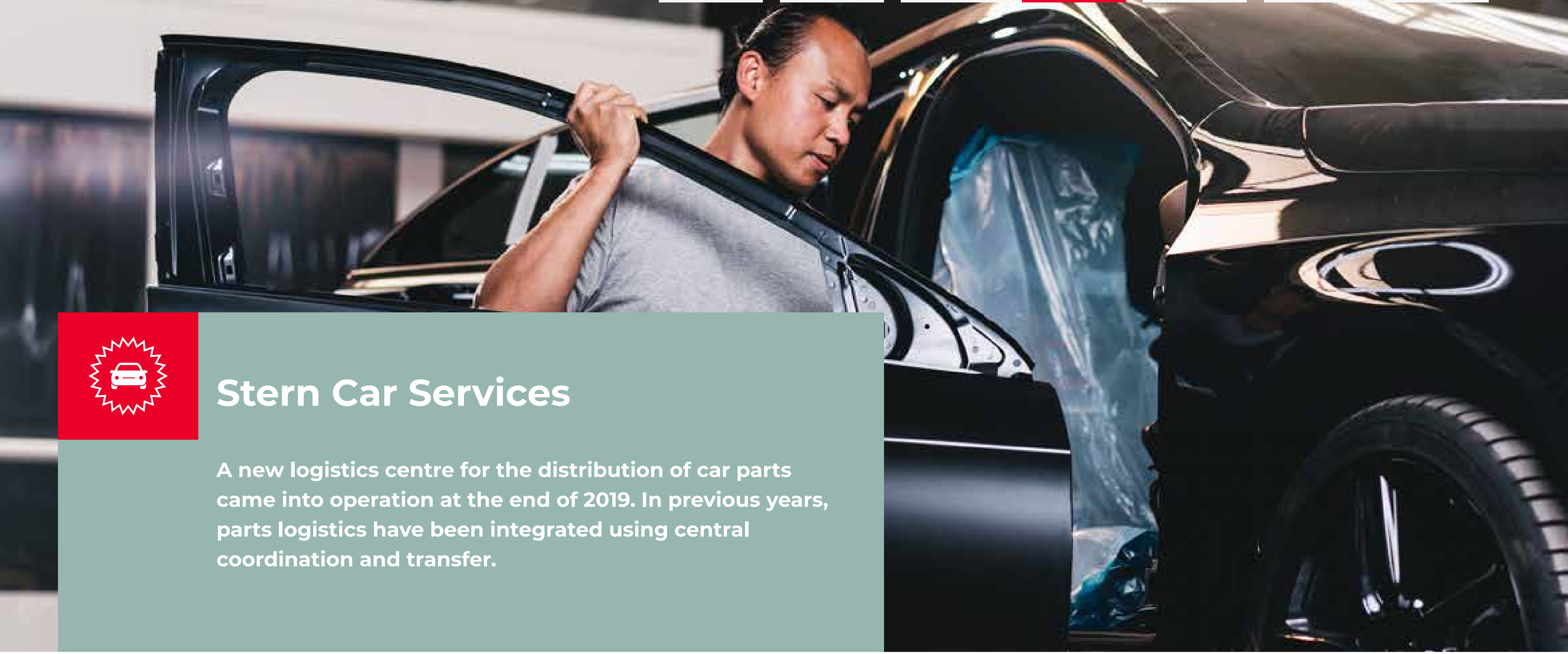
The features of the rental fleet are as follows:

	2019	2018	Index
Car rental			
Revenue from rental days	**24,847**	24,147	102.9
Remarketing of cars returned to the fleet	**29,643**	21,401	138.5
Revenue from rental	**54,490**	45,548	119.6
Carrying amount of rental fleet at year end (x € 1,000)	**47,744**	43,242	110.4
Number of contracts at year end	**2,574**	2,558	100.6
Carrying amount per contract (x € 1)	**18,549**	16,905	109.7

According to the figures from BOVAG, the national rental fleet increased by 3.9% in 2019 to 90,000 vehicles at year-end 2019.

The rental fleet of **SternRent** increased 0.6% in 2019 to 2,574 vehicles at year-end 2019. Revenue from rental days at SternRent rose € 0.7 million (2.9%) in 2019 compared to 2018.
Revenue from the sale of cars returned to the fleet ('remarketing') increased by € 8.2 million (38.5%) in 2019 compared to 2018. A relatively large number of rental cars were replaced in 2019.

In addition to its rental fleet, Stern Mobility Solutions also manages contracts in relation to financial leases, fleet management, car rental and warranties and maintenance.
The total number of contracts at year-end 2019 was 57,560 (2018: 71,748).



Stern Car Services

A new logistics centre for the distribution of car parts came into operation at the end of 2019. In previous years, parts logistics have been integrated using central coordination and transfer.

Damage cases settled
(number)

25,298
2018: 27,111

Car body repair facilities
(number)

15*
2018: 15

Interiors sold
(number)

2,108
2018: 1,220

Packages transported
(number)

176,209
2018: 177,541

Employees
(FTEs)

253
2018: 264

* Reference date 5 March 2020

Note on revenue at Stern Car Services

Many more parts are being distributed to a fast-growing and satisfied group of customers with far fewer vehicles. The management of Stern's parts business is provided by the Stern Car Services division. The new logistics centre is a next step in the optimisation of our warehouse and logistics operations.

In 2019, the main activities of the Stern Car Services division concerned car body repairs and the installation of light commercial vehicle interiors. The acquisition of Persoon Schadeherstel en Carrosserie B.V. in Bemmel in early 2020 added a new branch to the network. This company provides car body repair services for passenger cars and light commercial vehicles, with a focus on repairing freight vehicles and car body work.
The company also produces proprietary open and closed load areas, including refrigerated load areas. Customised work such as adjusting or installing trailers or load areas with cranes and/or tail lifts is also available.

Revenue Stern Car Services

Revenue at Stern Car Services before elimination of intercompany and internal revenue was divided between the various operations as follows:

Revenue Stern Car Services before elimination of intercompany and internal revenue

(x € 1,000)	2019	2018	Index
Car body repair services	**31,294**	31,626	98.9
Light commercial vehicle interiors	**4,090**	3,918	104.4
	35,384	35,544	99.5

This segment consists of car body repair activities and minor repairs offered under the name of SternPoint and activities relating to light commercial vehicle interiors offered under the name of SternTec.
The car body repair market in the Netherlands increased by approximately 5.6% in 2019 compared to 2018. The number of damage cases increased by 0.7%. Repair bills per collision were up 4.9% to € 1,371 per instance as cars have become more complex, mainly due to electronics.

Revenue in the Stern Car Services segment declined by € 0.2 million (0.5%) to € 35.4 million in 2019. The decline was due to the departure of a major customer in the first half of the year, as well as the merger of the operations of the branches in Bunnik and Houten.
This was mostly offset by additional revenue from referrals from ALD Automotive, which materialised relatively late in 2019. Direct damage referrals from ALD Automotive have now reached the agreed level. Revenue from referrals from ALD Automotive in 2020 is expected to be approximately € 2.5 million higher than in 2019.

The SternPoint branch at Bunnik was merged with the branch in Houten in the first half of 2019. The activities have been combined in the existing branch in Houten. The branch in Amsterdam-Noord will be relocated to a new location on Radarweg in Amsterdam-West at the beginning of the second quarter of 2020. This has achieved and will achieve immediate cost savings without any significant loss of revenue.
At the same time as the sale of Heron Auto, the SternPoint branch in Zwaag with VAG brand specialisation was sold to Broekhuis on 2 January 2020. In Noord-Holland, SternPoint now has branches in Wormerveer and Purmerend. In order to remain profitable in the competitive car body repair market, car body repair shops require a higher minimum capacity and multiple brand certifications. We expect further combinations of smaller branches into large already existing SternPoints to become a more frequent occurrence in the coming period.

The number of SternPoint branches currently stands at 15. 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.

Personnel

Employees

FTEs
1,858
2018: 2,099

Number
2,004
2018: 2,305

With permanent contracts
1,490
2018: 1,593

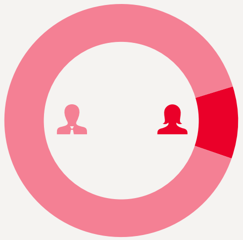
With fixed-term contracts
368
2018: 506

Average age
42.7
2018: 42.5

Absenteeism
4.5%
2018: 4.4%

Diversity

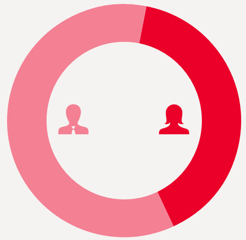
Stern Group



Men
90%
Number: 1,664

Women
10%
Number: 194

Management
(% women)



Supervisory Board
40%

Management Board
8%

Employees per division

- 78% Dealergroup Stern
- 14% Stern Car Services
- 5% Stern Mobility Solutions
- 3% Others

Trainees
(number)

Trainees
Professional practical skills course (Beroeps Begeleidende Leerweg)
134
2018: 144

Interns
Vocational training diploma (Beroeps Opleidende Leerweg)
39
2018: 45

Stern and its employees

Stern's ambition is to become the most valued and recommended mobility partner in the Netherlands. The quality of our service very much depends on the quality and commitment of our employees. Our policies with respect to the recruitment, remuneration, training and evaluation of employees, together with good and challenging working conditions, are therefore essential. To attract and retain talent and the best professionals from the automotive sector, Stern needs to be a strong employer with competitive employment benefits. This requires a consistent profile and a strong image.

Stern HRM supports the divisions in the realisation of their goals. The HRM team consists of an HRM director, an HR Business Partner for each operating company and the HR Service Center, where the entire employee administration is situated.

The group had 1,858 employees (FTEs) on 31 December 2019, compared to 2,099 (FTEs) at the end of 2018. The decline was mainly due to a decline at Dealergroup Stern, the sale of SternLease and the divestment of the mobility scooter operations of Mango Mobility at Stern Mobility Solutions. No major changes to the workforce are expected in 2020, other than due to the sale of Heron Auto B.V. as explained in the liabilities not appearing in the statement of financial position.

Learning and development

Various courses on personal development and leadership were held in 2019, offering skills training to all (around 300) people in management positions. After the success of the first leadership programme that started in 2018, a second group was selected and started in 2019. The programme focuses on developing management's leadership skills. The aim of the programme was to involve talented managers in the transition of Stern and assist in their personal development in the field of senior management. Besides the leadership programme, a Stern-wide Star Class was started in 2019 for which employees with high potential from all divisions are eligible. This programme includes modules on leadership, finance, HR and the Stern business model. Stern aims to further develop its leadership training in 2020 and encourage the personal development of its employees. We continue to invest in the training and education of all our personnel.

Developments in brands and products require us to continually give our employees the opportunity to learn and develop. Customer expectations and behaviour change rapidly. We want to ensure that our employees successfully apply the right knowledge, skills and behaviour that reflect these changes. We also use the annual personal development plan interviews to offer all employees the opportunity to develop further. This can bring about the best possible alignment between the objectives of Stern and the ambitions of our employees.

Working at Stern

All vacancies placed on the website werkenbijstern.nl are also posted on general and specific automotive job sites to increase reach. Our recruitment campaigns show that Stern is 'always on the move' and that working at Stern therefore offers many opportunities. We also use the network of our own personnel to recruit new employees.

The new digital recruitment process is working more efficiently and effectively for Stern HRM because it is easy to use. A dashboard provides a direct overview of all vacancies, the related applicants and the phase of process of their application. Managers are reminded to evaluate candidates at pre-determined times. With this approach, Stern aims to make a good selection as quickly as possible and arrange applicant interviews so that vacancies are filled as quickly as possible.

A simple target group survey was conducted in 2019 to obtain insight into the key features of our target group of scarce automotive technicians and use this information for recruitment and selection. This establishes the background features and provides good information on age, gender and work experience. We have also assessed the recruitment feasibility by looking at the number of vacancies and those looking for work. On this basis, we have decided at this time to reach our target group through an in-house recruiter that can approach and engage candidates.

The focus in 2020 will again be on 'continuing to work at Stern'. The results from the standard exit surveys enable us to learn from employee departures and show us where we can make improvements. The same questions (in digital form) are put to every departing employee, so that this valuable information can be translated into action.

Engaged employees

The first Stern-wide Employee Survey was held at the end of 2018. This survey serves as a detailed baseline measurement. In the Employee Survey, Stern was assigned a score of 7.2. The participation rate in the survey was 62%, which was a good result for a first survey. Stern strives to achieve a general score from employees of 8.0 or above, with a participation rate of 70%. The employee survey will be repeated in October 2020.

The aim of the survey is to identify reference points for improvements and to create the right context and environment for our work. The results of the survey were discussed in the Group Council at the beginning of 2019. The results and some initial improvements were published in the Stern employee magazine in April 2019. Improvement plans were then developed by the management and employees at each operating company. There was an explicit decision to involve a representative group of employees in the processing of the results.

The Employee Survey has provided a great deal of useful information on how employees experience working at Stern. The general conclusion is that improving communication between employees and between employees and managers would contribute to better understanding and more pleasant working conditions.

Since we intend to increase our investment in human capital, employee engagement is and will remain a clear priority.

Vitality

Absenteeism in 2019 came to 4.5% (2018: 4.4%). As in 2018, there was a severe bout of influenza in the first three months of the year. The sale of business divisions and the related uncertainty among employees also led to higher absenteeism in 2019. The predicted decline in absenteeism in 2019 therefore failed to materialise.

HRM focused mainly on frequent absenteeism in 2019. At the end of 2019 we started a course titled 'Leidinggeven met impact' ('Effective Leadership'), which included the conduct of frequent absenteeism interviews. From day one of the absenteeism, we try to focus on getting the employee able to return to work. Under the General Data Protection Regulation (GDPR), we are not allowed to ask the nature or cause of someone's sickness, but we can ask how long they expect to be unable to work. Our Health & Safety Service is tasked with assessing the sick leave notification and this service is therefore immediately engaged for every sick leave notification and the company doctor is engaged immediately if additional guidance is needed. The company doctor can determine the tasks, functions or activities (or parts thereof) that the employee can still perform.

A company fitness programme was started under the name of SternFit in mid-2019. We want to encourage our employees to exercise and become aware of their health and vitality. Fit employees are the basis for a healthy company. Healthy employees are engaged with the company and are more productive. SternFit offers employees an opportunity to engage in physical training in a tax-friendly manner. Over 12.5% of employees have now signed up for SternFit.

Sustainable employability

The labour market is still tight, and absenteeism is still an issue. We have engaged in dialogue with employees in 2019 to encourage them to take more control of their careers. We do not have a fully developed plan for sustainable employability and are looking at what is effective and what is less effective. This enables us to learn and adjust our approach in practice. Good-quality care and continuing attention to all employees are the main ways we look to promote sustainable employability. We make employees aware of their talents and skills and we offer the appropriate opportunities for development more quickly and more effectively. This is important, because sustainable employability makes us more flexible.

Diversity

Stern aims to be an attractive employer, also be ensuring that all employees feel at home in our company. The basis of our diversity policy is that the workshop floor and the management should reflect our society. Everyone, regardless of his or her origin, gender, religion, sexual orientation, nationality, et cetera, must be given equal opportunities, must be able to develop themselves to the greatest possible extent and of course remain true to themselves.

At the end of 2019, 14% of the senior management at Stern were women. The Supervisory Board has two female members (40%) and there is also one female member of the Management Board and the Group Council (8%). Stern has classified its workforce in four main groups: Dealergroup Stern, Stern Car Services, Stern Mobility Solutions and Other. A list of FTE and other employees per division and the breakdown of employees by type of contract, gender and age is provided on page 43.

Employment benefits

The harmonisation of the secondary employment benefits at the various Stern companies is still an important process. Historically, there has been a variety of employment packages. It is advisable to align employment benefits, not only for policy and management considerations, but also because it is difficult to justify a situation in which people doing similar work have different employment benefits. The removal of differences in employment benefits may in some cases entail material financial consequences, and this is therefore a gradual process.

Stern is partly affiliated to the BOVAG and FOCWA CLA. Stern Facility Services has its own employment benefits. The Stern Employee Manual applies to all Stern companies.

There are various reduced working hours schemes in force at Stern and we are striving to achieve greater uniformity. In addition, we are studying a system that will meet the desire for flexibility for both employee and employer with regard to the length of the working week. Changing ‘entitlements’ assigned to employees is a difficult process and requires the necessary preparation. It will therefore be some time before the working hours arrangements can be standardised.

Bribery and corruption

The Code of Conduct of Stern Group sets out a policy to prevent bribery and corruption. The Code of Conduct has been available on www.sterngroep.nl for several years. The Stern Employee Manual that new employees receive on entering employment also devotes attention to the policy we pursue with respect to the prevention of bribery and corruption. Once again there were no cases involving bribery or corruption coming to light in 2019. The risk of corruption is limited because the prices for the most important category on the procurement side (new cars) are set by the importers. On the sales side, the most important transactions (car sales) are fully evaluated with separation of functions. Both the Code of Conduct and the Employee Manual were revised in 2019.

Human rights

As a Dutch retailer with activities exclusively within national borders, Stern naturally respects all national legislation and regulation, also with respect to human rights. Emphasising this would appear to be unnecessary, however we are required to make this statement under European regulation regarding the publication of non-financial information. Once again, no cases involving a breach of human rights came to light in 2019. Stern does not have an active policy with respect to human rights, since it operates exclusively in the Netherlands where these risks do not apply. The risks apply more at second-tier suppliers, over which Stern has only minimal influence.

Employee numbers

	2019 Men	2019 Women	2019 Total	2018 Men	2018 Women	2018 Total
Employees at year-end in FTEs						
Dealergroup Stern	**1,314**	**137**	**1,451**	1,423	147	1,570
Stern Mobility Solutions	**72**	**18**	**90**	153	45	198
Stern Car Services	**241**	**12**	**253**	252	12	264
Other	**37**	**27**	**64**	38	29	67
Total	**1,664**	**194**	**1,858**	1,866	233	2,099
Employees at year-end in numbers						
Dealergroup Stern	**1,395**	**177**	**1,572**	1,537	194	1,731
Stern Mobility Solutions	**75**	**23**	**98**	162	56	218
Stern Car Services	**245**	**16**	**261**	261	17	278
Other	**41**	**32**	**73**	43	35	78
Total	**1,756**	**248**	**2,004**	2,003	302	2,305

	2019 Permanent contract	2019 Fixed-term contract	2019 Total	2018 Permanent contract	2018 Fixed-term contract	2018 Total
Employees at year-end in FTEs						
Dealergroup Stern	**1,158**	**293**	**1,451**	1,203	367	1,570
Stern Mobility Solutions	**78**	**12**	**90**	146	52	198
Stern Car Services	**195**	**58**	**253**	190	74	264
Other	**59**	**5**	**64**	54	13	67
Total	**1,490**	**368**	**1,858**	1,593	506	2,099

	2019 Permanent contract	2019 Fixed-term contract	2019 Total	2018 Permanent contract	2018 Fixed-term contract	2018 Total
Employees at Dealergroup Stern at year-end in FTEs						
Stern 1	**296**	**85**	**381**	298	123	421
Stern 2	**156**	**40**	**196**	161	40	201
Stern 3	**272**	**40**	**312**	294	46	340
Stern 4	**167**	**39**	**206**	190	44	234
Stern 5	**248**	**72**	**320**	246	88	334
Stern Customer Services	**19**	**17**	**36**	14	26	40
Total	**1,158**	**293**	**1,451**	1,203	367	1,570
Employees at Stern Mobility Solutions at year end in FTEs						
SternLease	**0**	**0**	**0**	44	22	66
SternRent	**73**	**12**	**85**	72	13	85
Stern Electric	**5**	**0**	**5**	30	17	47
Total	**78**	**12**	**90**	146	52	198
Employees at Stern Car Services at year-end in FTEs						
SternPoint	**195**	**58**	**253**	190	74	264
Total	**195**	**58**	**253**	190	74	264
Employees Other						
Other	**59**	**5**	**64**	54	13	67
Totaal	**59**	**5**	**64**	54	13	67

Workshop Project

Smarter cooperation as one Stern for more customer satisfaction and success

Jaap Schoemaker
Director After-sales Stern Auto
Workshop project leader

1.3 million contract hours

637 FTE mechanics

65.4% billable target

The Workshop project at Stern is an important part of improving efficiency in the after-sales organisation. The project not only contributes directly to the financial result, it also boosts satisfaction among both customers and employees. In addition to his role as Director After-sales Stern Auto, Jaap Schoemaker is also leading the Workshop project for the 57 branches of Dealergroup Stern. With more than 30 years' experience in automotive after-sales, he is thoroughly familiar with all aspects of the workshop. Together with his dedicated team, he is the ideal person to achieve Stern's objectives.

Number of billed hours in % of contractual hours

62.9%

2018: 61.2%

Increased revenue per mechanic
(compared to 2018)

5.2%

2018: +1.7% (compared to 2017)

“The Workshop project combines learning from experience with new insights, enabling us to implement improvements today and see direct practical results tomorrow. This means we can work together more intelligently, and experience greater customer satisfaction, calm and greater success.”

“Our purpose is to recharge as many billable hours to our internal and external customers as possible,” says Jaap. “In 2019, this amounted to around 1.3 million contract hours of 637 FTE mechanics, with the aim of billing 65.4% of these hours. We hope to reach 67% billable hours in the next three years. An increase of one percentage point equates roughly to profit of 1.5 million euros, so this project has the potential to achieve a significant impact.”

Sharing best practices

Every branch has its own remit, with one branch scoring more highly than another. Sharing best practices can enable everyone to grow to the next level. Jaap: “We started to formulate targets for the after-sales responsibilities at Dealergroup Stern in 2018 and developed a training course for achieving them. The training includes elements for both all our after-sales employees and the management. We discuss ways to improve our efficiency, how we can measure and drive our results, and translate this into benefits for customers. Efficiency measures in the workshops include consistent setting of target times for completion of jobs to the mechanics, optimising routing in the workshops and structuring our daily and weekly meetings.
Apart from the substance of the training, an important factor for success is that we include our own people – this means we know what we are dealing with and our communication with colleagues is easier.
One important change in 2019 was that we have introduced a semi-annual assessment at each branch to better embed the processes. This examines all the activities relating to the Workshop project. Based on the results, we now no longer give a standard training, we provide specific training, which also increases efficiency.”

Close attention to results with a KPI dashboard

“The KPI dashboard that we introduced in the course of 2019 for the Workshop project will become fully operational in 2020, and will enable us to orient ourselves fully on results,” adds Jaap. “For example, the dashboard shows the increase in the number of billed hours as a percentage of contractual hours and the increase in revenue for each mechanic from 2017 to the end of 2019. The proactive implementation of improvements and clear communication with and involvement of colleagues lead to motivation and energy, practical actions and visibly improved results. This way of working is a huge success factor for the project and also a best practice that we can apply at other divisions of Stern.”

Growing into a single dealer group

“This is how we are building the future of one Stern in which we all speak the same language and apply the same KPIs. The Workshop project is helping us to grow five different cluster businesses into a single dealer group. We have now started on the development of the ideal workshop for the future, using all the data we now have available. By working more efficiently, we will increase the resources we can use to build the future of Stern.
In addition, this way of working means clear communication with our employees and our customers, which contributes positively to both customer and employee satisfaction.”

Opportunities and risks

Strategic risk management enables the Management Board to deal transparently with the risks that threaten the realisation of the organisation's objective in a structured manner. The realisation of this objective leads to value creation and continuity. Risk management is not a guarantee that the objective will actually be achieved, but it provides insight into the risks and opportunities associated with the objective and the control measures to be implemented.

Risk management focuses on the management of strategic, operational and financial risks. Strategic risks are external events or circumstances that negatively affect the feasibility of Stern's objective and thereby prevent value creation and threaten existing values. Operational risks are internal events or circumstances that hinder the implementation of the strategy. Financial risks concern the meeting of financial targets, financial obligations and ratio levels set by the banks.

No risks with a material effect on Stern occurred in the financial year. An assessment of likelihood and impact is used to determine the risk appetite. Reasons to qualify risks as unacceptable may include:

- a threat to our continuity;
- a threat to our reputation in relation to compliance and integrity;
- a material impact on revenue, and more particularly, on profitability.

The process of identifying and managing risks has become increasingly professional in recent years. A structured process is used at Management Board level to evaluate major risks and record these risks in a risk register. The risk register lists the likelihood of occurrence, impact and related control measures for each risk. The risk register is updated twice a year.

We consider the following opportunities and risks as material to our business operation.

Strategic risks

Dependence on suppliers

With effect from 2 January 2020, Stern retails 17 car brands in the Netherlands. Due to European regulation, the dealer contracts and their size, the manufacturers and importers have a significant influence on price setting, the product offering, the rates, investment and the business operation. With a monopoly position and the concentration of contract partners, the importers have a strong grip on the automotive market. There is also the risk that importers will increasingly look for direct contact with end customers online and the chain of producer-importer-dealer-customer will become further compressed while a disproportionate part of the implementation costs, inventory price risk and interest-rate risk is for the account of the dealers. Pressure on sales margins and inventory levels has thus risen in recent years, while the consolidation of the dealer network is proceeding slowly. It is still questionable whether the importers recognise the need for rigorous further reduction of the number of sales outlets. This increases price risk, reduces residual margin, increases balance sheet volume and reduces solvency. Stern is reflecting this development by optimising its branch network on the basis of contribution and strategic importance.
Hard choices were made in the course of 2019 with respect to car brands, dealer branches and optimal business sizes for each dealer cluster. A new used-car brand will be launched in 2020 in combination with financial mobility products in order to boost growth in a segment in which Stern can operate independently.

Stronger negotiating position of the leasing companies

The consolidation in the lease market and the growth of private lease are strengthening the negotiating position of the leasing companies. This stronger position is being used to demand discounts on car purchases and low prices for after-sales and car body repairs. In addition, the leasing companies are using increasingly intelligent data analysis to monitor whether the maintenance and car body repairs effected on their lease fleets is excessive or inefficient. The number of lease customers compared to private and small business customers has been rising in recent years, increasing the pressure on sales and after-sales margins. Stern responded to this development in 2019 by concluding a 7-year strategic partnership with ALD Automotive along with the sale of SternLease B.V. that will involve the introduction of lease contracts and the supply of cars and mobility services by Stern.

The online customer
Sales of cars and mobility products are increasingly dependent on the quality of the website and the online marketing strategy and the lead-to-order process. For after-sales as well, user-friendly online customer contact is becoming increasingly important and we expect maintenance charges to come under pressure as a result of greater online price transparency. The online sales channels are becoming more mature and this means that showrooms are becoming less relevant. Stern will launch a new online platform in 2020 that will replace all the current websites of all its operating companies, and which will play an important part in the further digitalisation of customer contact. A uniform CRM solution has also been taken into operation that will be used to enable a personalised approach.

Operational risks

The labour market
Stern is convinced that the implementation of its strategy will stand or fall on the basis of the motivation, qualities and job satisfaction of its employees. Finding and retaining qualified personnel has become increasingly difficult in recent years. The labour market is accelerating rapidly, and combined with sharp CLA pay increases, this is leading to higher employee expenses.

The policy with respect to the recruitment, remuneration, training and evaluation of employees, together with good and challenging working conditions, is therefore essential. Based on the results of the Employee Survey conducted at the end of 2018, several improvements were introduced in 2019 to further strengthen employee engagement. The Employee Survey will be repeated at the end of 2020. To attract and retain talent and the best professionals from the automotive sector, Stern strives to be a strong employer brand with competitive employment benefits.

Efficiency in workshops and showrooms
Maintaining efficiency in our workshops and showrooms is essential for consistently profitable after-sales and sales. Our customers are more often leasing companies with strong purchasing power that are not willing to pay for inefficiency at a traditional dealer and car body repair business.

Stern is responding to this with internal improvement programmes and monitoring the effects of these programmes on the basis of uniform KPIs. The ‘Stern Way of Working’ will be implemented in all workshops, including the training of employees and the implementation of a uniform dashboard with specific information for each function. Regarding sales, we are fully committed in improving the performance and efficiency of all our sales employees. This especially concerns sales of used cars through the launch of our own used car label, with improvement of the current processes and results through higher volume, faster turnover and a better inventory mix.

Development of costs
Inadequate control of costs, partly due to the requirements of the importers, the large dealer network and tightness in the labour market, can lead to an excessive and inflexible level of costs, especially if revenue and margins are under pressure. Employee expenses have in particular risen substantially in recent years as a result of more FTEs, tightness in the labour market and more indirect employees involved in strategy development. Stern is reflecting this by intensifying its cost-control programme at Dealergroup Stern and at parts of the parent company. At the same time, the dealership network is undergoing optimisation on the basis of contribution and activities are being combined where possible.

Automated data services and data security
Efficiently operating ICT systems in combination with the quality of the data used are of great importance to Stern. Failing or inadequate ICT systems could pose a threat to the continuity of the business as a whole within a relatively short period. We are accordingly putting ever more measures in place to minimise the chance of this occurring. In addition, data and data quality are of great importance for a good business operation, and for the information we exchange with our customers and suppliers. Strict legal requirements apply with respect to data and privacy, so that data protection requires increasing attention.

Each year, Stern invests much time and money in the further optimisation and security of its centrally integrated ICT environment, focusing on continuity and stability. This applies to both the standard applications of the importers that we use and the customised applications produced specifically for our own use. Security from outside to within and security from inside outwards continue to be current themes in an increasingly digitalised world featuring numerous forms of cyber criminality.

Financial risks

Deferred tax asset

Based on IFRS, Stern has recognised its tax loss carry forward balances in the statement of financial position. The valuation of the tax loss carry forward balance is determined on the basis of projections of the future development of Stern's result, including its result for tax purposes. Should the outlook worsen at any time in future in such a way that the results will materially and negatively differ from the most recent projections, it is possible that all or part of the deferred tax asset will have to written off. A change to the rate of corporation tax will lead to an increase or decrease of the deferred tax asset.

Financing and bank ratios

Interest-bearing loans have increased due to the growth of the rental fleet and the working capital for Dealergroup Stern. This also increases the interest-rate risk, in other words the effect of potential increases in interest rates on profit. This constitutes a risk for Stern in relation to the development of interest rates in the capital markets. This risk is managed as far as possible with the use of financial instruments (interest-rate swaps). The remaining risk is not material.

The sale of SternLease B.V. has significantly reduced the volume of the interest-bearing loans and therefore also the financing and interest-rate risks.

A number of specific risks to which Stern is exposed are explained in note 29 to the financial statements on page 131 and following, providing information on matters including credit, liquidity and market risk. Stern does not consider these risks to be unusual for its business, either in nature or scale.

Goodwill

In the context of the mandatory impairment tests, Stern has made projections regarding the future development of the result of its cash-generating units. Based on the calculations recently made, the cash-generating units identified have sufficient headroom to avoid impairment. Should the outlook worsen at any time in the future in relation to these projections, a write-off of all or part of the acquisition goodwill cannot be ruled out. See note 1 to the financial statements on page 96.

Residual value risk

The sale of SternLease B.V. in 2019 has significantly reduced the scale of the residual value risk. SternRent and Dealergroup Stern are also exposed to residual value risk. The scale of this risk is increasing due to the growth of the rental fleet and the increased inventory of new and used cars and repurchase obligations. The residual value is affected by numerous factors over which Stern has only limited control. Stern has formed a residual value committee which continually evaluates residual values for its rental fleet and reports monthly on developments in the car market and the consequences thereof for current estimates of residual values and for the rates applying to new rental contracts.

Risk management and control systems

Stern takes the view that risk management has to be part of the daily attitude and working practices of all employees at Stern. Not because this is compulsory, but because it promotes transparency and improves the operation of the business. Stern consists of 12 companies with more than 70 business branches. It is essential that full insight into the state of affairs at all these companies and facilities is available at all times. Stern accordingly depends on having a good administrative organisation, so that well-considered decisions can be made as to whether tasks should be carried out on a centralised or a local basis. The administrative organisation consists of uniform reporting and control systems. Stern works continually on further improving these systems.

The Management Board has prepared an Accounting Manual that is validated each year which sets out the guidelines for management reporting and external financial reporting in detail. Besides the Accounting Manual, Stern has detailed authorisation schedules in which the persons responsible and their authorisations are established.

The risk identification and risk management process is formalised under the title of Stern in Control (SIC). Within Stern Group, the Controlling, Analysis and Reporting department (Stern CAR) is responsible for monitoring the administrative organisation and the internal controls at the Stern operating companies. The functional departments at the operating companies naturally remain responsible for ensuring the adequacy of their own administrative organisations and internal controls. Specifically designed risk analyses are carried out for the various business operations of Stern. Key controls are in place for all major identified process risks and adjusted in cases where they are found to be inadequate. The key controls at all Stern entities are tested and reviewed under the supervision of the CAR department on a quarterly basis. The results are reported by the Management Board and discussed with the Audit Committee on a quarterly basis. The external auditor (EY) is also informed of the findings of the activities carried out by SIC.

Since Stern has many locations, internal benchmarking is extensively used. The management information from the IBM Cognos consolidation application also supports the internal controls. Analytical reviews address potential gaps in the internal controls associated with the informal and entrepreneurial business culture. Due to its centralised approach and very direct management of and monitoring of the business operations by the Management Board and the central staff, the administrative processes at the operating companies are supervised centrally. Based on years of experience, it can be stated that the regular reporting gives a true and fair picture of the development of the business operations. There is no need for significant changes. Improving the quality of management information is a continuous process. The Audit Committee devotes attention to reporting and the administrative organisation on a quarterly basis. There is also close contact with the external auditor. The management letter is discussed by the external auditor with the Audit Committee and the Supervisory Board. We consider that the internal risk management and control systems give a reasonable degree of certainty that the financial reporting does not contain any material misstatements and that these systems have functioned properly in the year under review, We also refer to the statement by the Management Board on page 57 of this report.

Social risks

Climate-related risks

Cars have a significant impact on our climate. As a retailer of 17 globally operating car brands, Stern, with a market share of approximately 5% of the annual sales of new cars in the Netherlands, has only minimal influence on the engines that manufacturers produce and their production methods. The environmental policy of European, national and local authorities in recent years has however significantly affected the demand for and sale of cleaner cars. The offering of electric cars with tax-friendly features increased in 2019, but is still limited. The operation of car businesses, car repair businesses and fuel stations entails risks for the environment. Mitigating these risks is an important item of attention for Stern. The operating companies also have to be continuously aware of environmental aspects that are relevant to their business This not only concerns compliance or non-compliance with environmental legislation, sometimes preventive measures also have to be taken. The effectiveness of the measures taken is continually monitored in order to mitigate risks as far as possible. The various measures and reports are recorded in a control system. Focused environmental surveys are carried out for acquisitions. After a company is acquired, the procedures that apply at Stern are implemented. Further information on how Stern is reducing its own environmental impact is provided on page 81 of this annual report.

Social risks

Changing customer behaviour, margin pressure and the consolidation in the automotive industry also have consequences for employees. The digitalisation of processes that is needed calls for adaptability and flexibility on the part of employees, and may lead to retraining, redeployment or termination of the employment contract. The optimisation of the branch network is leading to branches being merged, sold or even closed in extreme cases. This can mean employees have to travel further to work, find a new employer or face dismissal. Stern informs its employees of developments in the industry and the choices it has to make in this context through adequate and ample communication. Employees are actively offered guidance with respect to finding another challenge within or outside Stern when necessary.

Private lease is making capital-intensive products more accessible to consumers in all layers of the population. However, this means that they enter into a long-term financial obligation usually lasting for 48 months or longer. Stern supports the offering of private leases according to the standard developed by the lease industry, which prescribes fair conditions, a complete product and protection of consumers against excessive financial expense.

stern.nl

Stern is building a new digital personalised highway for customers

René Bouwmeester
Digital Marketing Director

900
digital touch points

Consumers are increasingly relying on a personalised service, also with respect to their mobility needs. Today, and most certainly in future, the online part of the customer journey is becoming increasingly important. This is reason for Stern to harmonise all its online activities in a single platform for the Stern brand. This platform needs to optimally facilitate the customer's search process.

90%
of car buyers start their journey online

Average purchase cycle of 62 days

“Carefully listening and responding to customer needs is not something that is limited to online: the same approach is needed in the physical organisation. There should be no mishaps during the customer journey in the transition from the online to the offline experience.”

René Bouwmeester, Digital Marketing Director and also project leader for stern.nl: “In the customer journey, relevance is the main consideration. It’s not about what we want to sell, it’s about providing the right information to customers at the right time during their search for the best mobility solution. 90% of customer searches for cars is already taking place online, and if you consider the fact that our industry is not leading in this respect, you will understand that this is a challenge for us where we can make a difference.”

Optimal online service

Stern started to prepare for the new environment in mid-2019, which has to be fully live by the end of 2020. All Stern divisions are working on building a single platform with a single customer experience.
René: “This project is part of our ambition to be the most valued and recommended partner for individual mobility solutions in the Netherlands. Because we also want to provide the best possible assistance to our customers in their search process online. We are integrating our current dealer websites into a single website: www.stern.nl. This website will distinguish itself by offering better information to visitors than other sites, allowing them to select a suitable mobility solution. We look here for a combination of customer profile and use: for example, what kind of car would be best for a family with growing children and a dog? We offer a personalised experience based on personal preferences. Since the demand for mobility is evolving, the answer to this question will not always be to purchase a car. There are other possible solutions, such as private lease, or a combination with a different mode of transport, such as a bicycle or scooter.”

Seamless transition from online to offline experience

“The online part of the customer journey will become increasingly important in the future,” says René.

“The online showroom is already ten times busier than the traditional physical showroom. A location where the buyer can finally try out the car in reality will not disappear, but a seamless transition between the online and offline experience is essential.
What this means is that if you fail to facilitate the first 90% of the customer orientation well, the customer will not come to the showroom for the last 10%. There is also a smaller group for whom a car is still an emotional product, but this group is mainly interested in the more exclusive brands and models. We have designed Stern Exclusief for this group, both online and in the physical environment.”

Greater efficiency

The new website is a substantial investment, but it is providing Stern with the necessary benefits. René: “This enables us to respond much more effectively to online customer behaviour, as we can track this centrally and look for matches with customer data in other Stern systems such as Stern CRM. We can also improve efficiency, with one central website as opposed to 11 separate sites. We can also have our online marketing designed by a single agency, which will make our advertising more efficient. This will also avoid a situation in which several Stern dealer websites are communicating with the same customer at the same time.”

Outlook

“Our new platform is designed for a future in which an increasing number of customers will wish to be fully served online. This will continue to be combination of online and offline in the near future, in which we will make every effort to optimally facilitate every customer journey,” says René.

Corporate Governance

Corporate Governance Code 2016

The Dutch Corporate Governance Code (the 'Code'), as established in December 2016, is designated under Section 2:391 of the Dutch Civil Code as a code of conduct to which listed companies have to refer in their management reports and for which these companies must disclose the extent to which they comply with the Code provisions. Stern uses the Code as a guide in the process designed to further improve its corporate governance.

In the context of the review of the Code (in December 2016) Stern Group has updated its Management Board Regulations, Supervisory Board Regulations and associated appendices and brought these into line with the Code in March 2018.

Structure and shareholders' meeting

Stern Groep N.V. is a two-tier board company. Stern does not have any protective measures in place.

Stern endorses the importance of full and active participation by shareholders in decision-making at the General Meeting. A General Meeting is held at least once a year. Extraordinary General Meetings may be held at the request of the Management Board or the Supervisory Board. Shareholders representing at least 1% of the issued share capital may submit agenda items up to 60 days before the meeting. The Management Board has the possibility of using a registration date with respect to the exercise of voting rights. Resolutions are passed by an absolute majority of the votes, unless a larger majority is required by law or the articles of association.

The General Meeting adopts the financial statements and can discharge the members of the Management Board from liability for its policy and the members of the Supervisory Board from liability for its supervision in the previous financial year.

In addition, resolutions by the Management Board regarding a material change to the identity of Stern are submitted to the General Meeting for approval. The company's articles of association may be amended by resolution of the General Meeting, on condition that the resolution is passed with a majority of at least two thirds of the votes cast and at least half the company's issued share capital is represented. If a proposal for a resolution originates from the Management Board acting with the approval of the Supervisory Board, the resolution can then be passed with an absolute majority of the votes, regardless of the capital represented.

Management Board

The Management Board manages the company and is responsible for achieving the targets, the policy and the strategy of the company and the associated development of the result.

The members of the Management Board are appointed by the Supervisory Board. The Supervisory Board notifies the General Meeting of a proposal to appoint a member of the Management Board. The Supervisory Board may at all times suspend or dismiss a member of the Management Board. The Supervisory Board shall not dismiss a member of the Management Board without taking advice from the General Meeting regarding the proposed dismissal.

The Supervisory Board determines the number of members of the Management Board. Stern Group has two members of the Management Board: Mr H.H. van der Kwast (Chair of the Management Board under the articles of association) and Mr L.G. Porsius (titular financial director with extensive power of attorney). Neither of the members of the Management Board is a supervisory director of a listed company, nor do they hold (other) additional positions. Mr Van der Kwast was appointed as a director under the articles of association on 21 June 2000. Mr Porsius was appointed on 1 October 2018, but is not a director under the articles of association.

The remuneration of the members of the Management Board under the articles of association is established by the Supervisory Board in accordance with the remuneration policy, further details of which are provided in the Report of the Supervisory Board (page 60). The application of the Stern remuneration policy in the 2019 financial year is disclosed in notes to the financial statements. A specification of the remuneration as referred to in Section 2:383 (c) to (e) of the Civil Code is included on page 135 of this annual report (note 36 to the financial statements).

The Group Council, which meets every two weeks, consists of the Management Board, the directors of the operating companies, the Director HRM and the Director Corporate Affairs. Resolutions are passed on the basis of unanimity. Certain resolutions stated in the articles of association are subject to approval by the Supervisory Board and the General Meeting.

The General Meeting resolves to issue shares subject to the approval of the Supervisory Board. The Management Board is authorised to issue shares if and to the extent that the Management Board has been designated as a competent body for this purpose by the General Meeting. The Management Board must obtain the approval of the Supervisory Board for such a decision. On 09 May 2019, the General Meeting resolved to authorise the Management Board to issue shares for a period of 18 months. The extension of this authorisation for a period of 18 months will be resubmitted for approval by the General Meeting to be held on 07 May 2020.

Repurchase of shares may only be effected if the General Meeting has authorised the Management Board to do so. On 9 May 2019, the General Meeting resolved to authorise the Management Board to repurchase shares for a period of 18 months. The granting of this authorisation to the Management Board for a period of 18 months will be resubmitted for approval by the General Meeting to be held on 7 May 2020. The General Meeting will also be requested to grant authorisation for a period of 18 months to the Management Board to dispose of shares acquired by the company in its own capital, subject to approval by the Supervisory Board.
Decisions to enter into transactions involving conflicts of interest for directors that are of material significance for the company and/or the director concerned must be approved by the Supervisory Board. All transactions between the company and natural and legal persons holding at least 10 percent of the shares in the company are entities are agreed at normal market conditions. Decisions to enter into transactions with such persons that are of material significance for the company and/or these persons must be approved by the Supervisory Board. These transactions will be published in the Report of the Management Board, with a declaration that best practice provision 2.7.5 has been complied with.
No transactions involving an actual or potential conflict of interest occurred during the reporting year. For information on related parties, see the note on page 134 of this annual report.

Supervisory Board

The Supervisory Board is charged with the supervision of the conduct of policy by the Management Board and the general state of affairs at Stern, and advises the Management Board. Supervisory directors are appointed by the General Meeting after nomination by the Supervisory Board. The General Meeting has a right of recommendation with regard to the supervisory director to be nominated. The General Meeting may dismiss the entire Supervisory Board by an absolute majority of votes, subject to this majority representing at least one third of the issued capital. A supervisory director is appointed for a term of four years and steps down, unless reappointed, on the date specified in the retirement rota (which is published on the website of Stern Group). The General Meeting may allocate a fixed remuneration for the supervisory directors.

The Supervisory Board consists of at least three members and appoints a chair and a vice-chair from among its number. The Supervisory Board currently has five members. All its members meet the independence criteria established in the Corporate Governance Code. The Supervisory Board has appointed an Audit Committee consisting of two members and a Remuneration Committee, also consisting of two members.
Regulations have been formulated regarding the duties and working practices of the Supervisory Board which are published on the website of Stern Group. A profile description for the members of the Supervisory Board has been added to these regulations, as have the regulations for the Audit Committee and the Remuneration Committee.

For further information on the members of the Supervisory Board and the working practices of the Board, see the Report of the Supervisory Board on page 60 and following of this annual report. Regarding the remuneration of the Supervisory Board, see the Report of the Supervisory Board (page 60 and following) and the notes to the consolidated financial statements (section on Remuneration of the Management Board and the Supervisory Board on page 135 of this annual report. Decisions to enter into transactions involving conflicts of interest for supervisory directors that are of material significance for the company and/or the supervisory director concerned must be approved by the Supervisory Board. No conflicts of interest were reported in 2019.

Deviations from the Corporate Governance Code

While highly appreciating the Code, Stern notes that a number of the best practice provisions stated in the Code are less relevant to smaller listed companies such as Stern. This has led to Stern deviating to a limited extent from the Code, also over the longer term. The points on which Stern deviates from the Code are stated below, with reference to the relevant provision in the Code.

Governance (best practice provisions 2.2.1 and 3.2.3)

Mr Van der Kwast (CEO of Stern Group) is the sole director under the articles of association and is appointed for an indefinite term. At the time of his appointment, Stern Group considered that this would be more appropriate in view of its size than an appointment for a term of up to four years. Mr Van der Kwast's employment agreement contains no provisions regarding severance payments.

Internal audit function (principle 1.3)

Stern Group has decided not to appoint an internal auditor, but has adequate alternative measures in place to evaluate the operation of the internal risk management and control systems. Further details are provided in the section Opportunities and Risks on page 46 and following of this annual report. In accordance with the provision of best practice provision 1.3.6 of the Code, the Supervisory Board evaluates, with advice from the Audit Committee, whether the measures implemented are still adequate and whether the institution of an internal audit function would be desirable.

Selection and Nomination Committee (best practice provision 2.3.2)

Due to the size of the company and the appointment of the sole director under the articles of association for an indefinite term, the Supervisory Board sees no need for the formation of a Selection and Nomination Committee or for the drafting of regulations.

Meetings and presentations (best practice provision 4.2.3)

Analyst meetings and presentations are announced in advance by Stern Group on its website. Meetings and presentations are not available for simultaneous following by shareholders by means of webcasting or by telephone for reasons of cost. The facilitation of these services would place disproportionate demands on the organisation in view of its size. Stern Group naturally endorses the importance of the principle that shareholders should be informed simultaneously and proportionately, and Stern Group accordingly makes presentations given during analyst meetings available simultaneously on its website.

Diversity (best practice provision 2.1.6)

With respect to diversity, Stern strives to achieve a balanced ratio between male and female members of both the Management and the Supervisory Board. Stern had one male director under the articles of association in 2019. For the Supervisory Board, a balanced ratio of at least 30% of seats occupied by men and at least 30% occupied by women was achieved in 2019. Stern will continue to strive to achieve a balanced composition on its Management Board when future changes occur. In view of the relatively limited size of the Supervisory Board and especially the Management Board, it is however not appropriate to set targets in the form of (minimum) percentages with respect to the other aspects of our diversity policy (see page 42), such as nationality, age, gender, social background and experience.

Outlook

The strategic consideration to look for an international partner in car distribution has, after years of careful analysis, led to the announcement at the beginning of 2020 of merger discussions with Hedin Automotive, a Swedish dealer holding company with operations in several smaller European countries. The strategic fit between the two companies, in combination with the complementary range of brands, has led to the talks reaching an advanced stage. We expect to be able to provide more clarity regarding the decision whether to proceed with the merger plans or not in Q2-2020.

The progress made in 2019 means not only that Stern is now prepared for potential internationalisation, it has also made Stern more resilient and more flexible for a car market that we believe will undergo structural changes in the coming years.
The company's costs are now competitive, as a result of the savings realised in employee and other operating expenses since Q4-2018. In 2020 and 2021, Stern will continue to further reduce its fixed costs through smart programmes in the context of Focus on Value. At the same time, investments in digitalisation and improving our services will make a positive contribution to our performance with respect to customer satisfaction and lead conversion.

Stern is not likely in the near future to emulate the profit after tax in the past year, which was historically high due to the sale of SternLease. The operational performance of the divisions Dealergroup Stern and Stern Car Services, in combination with the significant reduction in the use of working capital, will lead to further improvement in Stern's operational performance.

Statement of directors' responsibilities

The Management Board is responsible for Stern's internal risk management and control systems and evaluating their effectiveness. These systems are designed to manage the key risks that could prevent us achieving our business objectives. They do not however provide total assurance that all material misstatements are prevented.

The effectiveness of the design and operation of existing internal risk management and control systems was evaluated in the reporting year. The findings of this evaluation, including Stern's risk profile, were discussed with the Audit Committee and the full Supervisory Board.

Based on this evaluation, the Management Board is of the opinion that the internal risk management and control systems have operated appropriately during the reporting year, and that they provide a reasonable degree of certainty that the financial reporting does not contain any material misstatements. This conclusion is based on the evaluation of the strategic plan, the budget and an estimate of the economic prospects.

In line with the above and best practice provision 1.4.3 of the Dutch Corporate Governance Code, the Management Board certifies, to the best of its knowledge, that:

- the Report of the Management Board provides sufficient information with respect to any shortcomings in the operation of the internal risk management and control systems (further information on the design and existence of the current internal risk management and control systems is provided on pages 46 to 52 of this Report of the Management Board);
- these systems provide a reasonable degree of assurance that the financial reporting for 2019 does not contain any material misstatements (for further information, see pages 20 to 38 of this Report of the Management Board);
- in the current state of affairs, preparation of the financial reporting on the basis of the going concern assumption is justified; and
- the report states the material risks and uncertainties that are relevant to the assumption of the continuity of Stern for a period of 12 months after preparation of the report (for further information, see the Opportunities and Risks section on pages 46 to 52 of this Report of the Management Board).

In addition, the Management Board states, in line with Section 5:25c of the Financial Supervision Act that to the best of its knowledge that:

- the financial statements at 31 December 2019 with application of IFRS EU as stated on pages 7 to 57 of this Report of the Management Board provide a true and fair view of the assets, the liabilities, the financial position and the result of Stern Groep N.V. and its associates included in the consolidation;
- the Report of the Management Board, including the section on Corporate Social Responsibility (see pages 70 to 87), provides a true and fair view of the status at 31 December 2019 and developments during the 2019 financial year relating to Stern Groep N.V. and its associates, the details of which are contained in its financial statements, and that the Report of the Management Board describes the material risks which Stern Groep N.V. faces (see the section Opportunities and Risks on pages 46 to 52 of this Report of the Management Board).

Amsterdam, 5 March 2020

Supervisory Board

A. Roggeveen MSc **D.R. Goeminne** **M.E.P. Sanders** **P.P.M. Nielen** **S.G. Brummelhuis**

Details of the Supervisory Board

A. Roggeveen MSc
(1946)

Date of appointment
Mr Roggeveen was appointed as a member of the Stern Group Supervisory Board in March 2012.

Career
In June 2011, Mr Roggeveen stepped down as CEO – after a 27-year tenure – of Sator Holding, an importer and distributor of car parts. Under Mr Roggeveen's leadership, Van Heck and subsequently Sator expanded to become the market leader in the brand-independent vehicle sales channel. Mr Roggeveen returned to Sator as acting CEO on 15 October 2012. From May 2013 to the end of 2016, he was a non-executive board member at Sator Holding B.V.

Other supervisory directorships
From May 2015 to the end of 2019, he was a non-executive board member at Sator Holding B.V. Mr Roggeveen has been a member of the Supervisory Board of Brink International B.V. since June 2019.

Nationality
Mr Roggeveen is a Dutch citizen.

Retirement rota
2020

D.R. Goeminne
(1955, chair)

Date of appointment
Mr Goeminne was appointed as a member of the Stern Group Supervisory Board in October 2008.

Committees
Mr Goeminne is a member of the Stern Group Remuneration Committee.

Career
Until 2007, he served as chair of the Group Management Board of V&D and was a member of the Board of Directors of Maxeda (Vendex/KBB).

Other supervisory directorships
Mr Goeminne is a member of the Supervisory Board of Wielco B.V. He is also a non-executive board member in Belgium of Van de Velde N.V., Wereldhave N.V. (chair) and JBC N.V. In 2018 Mr Goeminne changed his role of CEO at Ter Beke N.V. for that of chair of the Management Board.

Nationality
Mr Goeminne is a Belgian citizen.

Retirement rota
2020

M.E.P. Sanders
(1953, vice-chair)

Date of appointment
Ms Sanders was appointed as a member of the Stern Group Supervisory Board in October 2012.

Committees
Ms Sanders is the chair of the Stern Group Audit Committee.

Career
Ms Sanders has been previously employed among others at ABN AMRO, Atlas, the Dutch Railways and Greenfield Capital Partners. She was also involved in the establishment of Dutch telecommunications company Telfort.

Other supervisory directorships
Ms Sanders holds various supervisory positions, including chair of the Supervisory Board of Meilink B.V., chair of the Advisory Board of DifraxBeheer B.V., chair of the Supervisory Board of Hoens Broadcast Facilities B.V., member of the Supervisory Board of Hydratec Industries N.V. and chair of the Investment Committee of the SI² Fund in Brussels.

Nationality
Ms Sanders is a Dutch citizen.

Retirement rota
2021

P.P.M. Nielen
(1964)

Date of appointment
Mr Nielen was appointed as a member of the Stern Group Supervisory Board in December 2017.

Committees
Mr Nielen is a member of the Stern Group Audit Committee.

Career
Mr Nielen studied Business Economics and Dutch Law at the Free University in Amsterdam. Mr Nielen has held various commercial management positions in corporate banking and corporate finance, including at MeesPierson and NIBC. Until the end of 2016, Mr Nielen was a partner and co-founder at NielenSchuman. In this capacity, Mr Nielen provided guidance for various advisory engagements with several automotive holdings, including Stern Group. Mr Nielen is currently a partner at Scheybeeck Investments.

Other supervisory directorships
Mr Nielen is currently the chair of the Happy Watoto Foundation, a member of the advisory board of WMP Private Debt Pool I, and a member of the advisory board of Vos Logistics B.V.

Nationality
Mr Nielen is a Dutch citizen.

Retirement rota
2021

S.G. Brummelhuis
(1965)

Date of appointment
Ms Brummelhuis was appointed as a member of the Stern Group Supervisory Board in May 2016.

Committees
Ms Brummelhuis is the chair of the Stern Group Remuneration Committee.

Career
Ms Brummelhuis studied law at the University of Amsterdam and Columbia University and has held various positions, including at Astia (Vice President Europe), IENS (director/supervisory director) and the legal firms Loeff Claeys Verbeke and Skadden, Arps, Slate Meagher & Flom (New York). Ms Brummelhuis is currently a director of Borski Fund.

Other supervisory directorships
Her main supervisory directorships and additional activities are: member of the Supervisory Board of de Telegraaf Media Group, member of the Supervisory Board of Rabobank Amsterdam and non-executive director of Annona Investment Fund. She is also an innovation knowledge partner at Hemingway Board Programme.

Nationality
Ms Brummelhuis is a Dutch citizen.

Retirement rota
2020

Report of the Supervisory Board

General

The Stern Group has a corporate governance policy that is appropriate to its status as a smaller listed company. Stern Group has accordingly accepted the Dutch Corporate Governance Code as a guideline. For further details, please refer to page 53 and following of this annual report or visit www.sterngroep.nl.

Financial statements and distribution of profit

This annual report includes the financial statements for Stern Group for the 2019 financial year prepared by the Management Board. The financial statements have been audited and an unqualified audit opinion has been issued by Ernst & Young Accountants LLP, for which please see page 143 and following of this annual report.

After the sale of SternLease N.V., a first interim dividend of € 2.50 was distributed on 12 June 2019, in line with the approved dividend policy. An additional interim dividend of € 1.00 was distributed on 15 October 2019. On 26 March 2020, a proposal for a final dividend will be published together with the convening notice for the General Meeting on 7 May 2020.

The Supervisory Board recommends that the shareholders adopt the 2019 financial statements at the General Meeting to be held on 07 May 2020, and that they discharge the Management Board from liability for its management and the Supervisory Board from liability for its supervision during the 2019 financial year.

Meetings

The Supervisory Board met on a total of ten occasions (eight of which concerned regular meetings). All ten meetings took place with the Management Board and all members of the Supervisory Board in attendance (100%). All the regular meetings were preceded by a preliminary discussion between the members of the Supervisory Board without the Management Board in attendance. The Supervisory Board also met on a further three occasions without the Management Board being present. There was also regular informal consultation between the members of the Supervisory Board and the Management Board. The Supervisory Board moreover visited several operating companies. The Supervisory Board met on one occasion with the external auditor to discuss the results in 2018 and the findings of the audit.

Among other things, the meetings devoted extensive attention to the sale of SternLease to ALD Automotive, whereby Stern has achieved the close cooperation it was seeking with a strategic leasing partner. In addition to the sale of SternLease, Stern has also concluded a seven-year agreement on bringing in lease contracts under its own label via its own dealerships and on the supply of cars and maintenance, repairs, recovery and the provision of replacement transport.

The Management Board has made significant progress on the optimisation of the dealer network in 2019. In this context there was frequent consultation with the Supervisory Board regarding the closure and merger of branches on the sale of Heron Auto to Broekhuis completed on 2 January 2020, as well as the divestment of the mobility scooter operations of Mango Mobility on 31 December 2019.

The Fast Forward Reloaded strategic plan initiated at the beginning of 2019 was evaluated by the Management Board after the sale of SternLease. This led to a new strategic plan for 2020-2022 with the name Focus on Value. The Supervisory Board is, as in previous years, closely involved in the formulation and implementation of the strategic plan: in addition to this item being discussed at every meeting, a 2-day strategic consultation was held. An important theme in this was determining the right size for the company, as well as the strategic considerations and thorough analysis in relation to finding an affiliation with an international partner in car distribution.

Progress in relation to the operating performance of the operating companies was also an item of discussion on several occasions, including a comparison of the actual operating profits with budgets that were not realised. The planned improvements at the workshops were realised in 2019, despite the structural scarcity of qualified technical personnel.

The roll-out of a central CRM system marks the beginning of far-reaching digitalisation of the company. In addition, a start has been made on the construction of a new digital platform for consumers.

The efficiency of execution of the organisation has been significantly improved by the re-installation of the Group Council for the operational management of the company and the increased frequency of consultation by this body. Besides the Management Board, the Group Council consists of the financial director, the directors of the operating companies, the Group Controller and the directors of HRM and Corporate Affairs.

As in previous years, other recurring items of discussion concerned the HR policy, the risks associated with the business, the financial structure, the internal control systems for the various core activities and corporate governance at Stern. As usual, any financial information to be published such as the quarterly and annual figures and other press releases was submitted to the Supervisory Board for inspection prior to publication.

Audit Committee

An Audit Committee has been in place at Stern Group since 1 January 2003. This committee consists of Ms M.E.P. Sanders (chair) and Mr P.P.M. Nielen and convened on five occasions during the reporting year, with the financial director in attendance. Three of these meetings were also attended by the external auditor. Matters discussed at these meetings included the processing of acquisitions and divestments, the measurement of goodwill and badwill in relation to acquisitions, the internal control systems, loss-making operations, compliance with legislation and regulation, the tax situation, automated data processing, the administrative organisation, the Group financing, presentations by controllers of operating companies, the relationship with the external auditor and compliance with and follow-up of the auditor's recommendations. Stern in Control was also a fixed agenda item (for an explanation of Stern in Control, see page 49 of this annual report). The financial statements included in the 2018 annual report were evaluated during the reporting year.

Remuneration Committee

A Remuneration Committee has been in place at Stern Group since 1 January 2018. This committee consists of Ms S.G. Brummelhuis (chair) and Mr D.R. Goeminne and convened on two occasions during the reporting year, in April 2019 and September 2019.

The Remuneration Committee also consulted on several occasions without holding a formal meeting. At the beginning of the year, the Remuneration Committee established the company's objectives for 2019 by setting targets and establishing a bonus structure. The Remuneration Committee was also responsible for the preparation of the remuneration report, which gives account with respect to the implementation of the remuneration policy and prepared for the self-assessment by the Supervisory Board.

Internal audit function

In view of its size, Stern Group has decided not to appoint an internal auditor, but has adequate measures in place to evaluate the operation of the internal risk management and control systems. Further details are provided in the section on Risks on page 46 and following of this annual report. The Supervisory Board believes these alternative measures are adequate and currently does not consider the appointment of an internal audit function to be necessary.

Remuneration of the Supervisory Board

The remuneration for Supervisory Board members established by the shareholders in May 2014 is described in the Remuneration Report on page 63 of this annual report. There was no change to this in the reporting year and no amendments will be proposed to this remuneration for 2020.

Remuneration of the Management Board

The remuneration policy with respect to the Management Board discussed at the General Meeting of 12 May 2005 was also implemented in 2019. The remuneration of the members of the Management Board consists of a fixed gross annual salary with pension contribution, plus a variable component of up to 33% of the fixed gross annual salary, subject to predefined criteria being met. The sale of SternLease to ALD Automotive has contributed to the long-term interests of Stern. Due to his successful work on this exceptional transaction, the Supervisory Board will propose to the General Meeting on 7 May 2020 that a one-off bonus of € 200,000 be awarded to Mr H.H. van der Kwast, in derogation from the remuneration policy. The quantitative information and the criteria for 2019 and 2020 are stated in the Remuneration Report on page 63 of this annual report.

Evaluation of the Management Board and the Supervisory Board

Issues discussed without the presence of the Management Board included the operation of the Supervisory Board, the Audit Committee, the Remuneration Committee, the mutual interaction, the relationship with the Management Board, the performance of the Management Board and its members and the remuneration of the Management Board. The evaluation of the Supervisory Board's own performance included the use of an individually completed questionnaire and various issues were raised, such as the available time and attention of all supervisory directors, the conduct of the supervisory function, the allocation of roles and the interrelationship between the Supervisory Board and the Management Board and the composition of the Supervisory Board in terms of independence, expertise and experience. The evaluation of the Management Board took place in February 2020 in a meeting between the Remuneration Committee and the Management Board. The agenda items also included the succession plan for the Management Board and the Supervisory Board, among other things with reference to maintaining a balance with respect to the necessary expertise, experience and diversity. It was agreed that more specialist expertise should be engaged in relation to the intended digitalisation of the company.

Appointments and departures

According to the rota, Mr A. Roggeveen was due to step down in 2019. He was reappointed for a term of one year at the General Meeting on 9 May 2019. According to the rota, Mr D.R. Goeminne, Mr A. Roggeveen and Ms S.G. Brummelhuis are due to step down in 2020.

Diversity

Stern believes in the importance of diversity at various levels. Stern strives to achieve a balanced ratio between male and female members of both the Management and the Supervisory Board. Stern had one male director under the articles of association in 2019. For the Supervisory Board, a balanced ratio of at least 30% of seats occupied by men and at least 30% occupied by women was achieved in 2019. Stern will continue to strive to achieve a balanced composition on its Management Board when future changes occur. For further information on the issue of diversity at Stern and the targets, please refer to page 42 and following of this annual report.

Independence

The Supervisory Board takes the view that with its current composition and the composition of the Audit Committee and of the Remuneration Committee, the criteria in relation to independence in best practice provisions 2.1.7 and 2.1.9 have been met.

Corporate Social Responsibility

Stern strives to achieve a culture in which attention is paid to corporate social responsibility. In its policy decisions, Stern is increasingly guided by commercial and social considerations for the long term. Corporate Social Responsibility is a regularly recurring item of discussion. The limitation of environmental risks and acting with care to ensure the sustainability of the environment are important items of attention for Stern and its operating companies. The Erkend Duurzaam Premium certification achieved for a period of two years shows the extent to which the operating companies are continuously aware of the sustainability aspects relevant to the operation of their businesses.

Further details of all the activities in relation to Corporate Social Responsibility are provided on page 70 and following of this annual report.

The Supervisory Board wishes to express its appreciation for the efforts of the Management Board and the employees during the past year, in particular the realised sale of SternLease to ALD Automotive. The new strategic plan Focus on Value should lead to greater independence, a sustainable increase in return and improved predictability of the results.

Amsterdam, 5 March 2020

D.R. Goeminne
M.E.P. Sanders
A. Roggeveen MSc
S.G. Brummelhuis
P.P.M. Nielen

Remuneration report 2019

Stern Groep N.V. (hereinafter: Stern) has had a Remuneration Committee since May 2018. The Remuneration Committee advises the Supervisory Board on the formulation of the remuneration policy and the setting of the individual remuneration of the Management Board. The aim of the remuneration policy is to attract, motivate and retain qualified management personnel who will enable Stern to achieve its strategic and operational goals.

As a result of the implementation of the EU Shareholder Engagement Directive in Dutch law on 1 December 2019, a proposal will be put to the General Meeting of 7 May to amend the remuneration policy in line with the new legislation (Article 2:135a DCC). The change to the legislation will not entail material changes with reference to the remuneration policy that already existed and was applied. This remuneration report also includes the remuneration report referred to in Book 2: 135b DCC and will be put before the General Meeting on 7 May 2020 for an advisory vote.

The remuneration policy is intended to encourage enterprising behaviour, but also has to be in reasonable proportion to the remuneration of the other management personnel. Stern's remuneration policy is appropriate to its identity and strategy, result-oriented and straightforward in its application. It also takes account of the social context, the corporate governance structure and the interests of Stern's stakeholders. There is no place for long-term variable remuneration in the form of financial instruments such as shares or options. The development of Stern's share price is not an element in the remuneration policy. In exceptional circumstances, the Supervisory Board may decide that no variable remuneration will be awarded. The Supervisory Board has discretionary power to reduce or increase the variable remuneration if application of the remuneration policy without adjustment would, in the opinion of the Supervisory Board, lead to an unreasonable or unintended outcome.

The remuneration of the members of the Management Board consists of:
- a fixed gross annual salary;
- 8% holiday allowance;
- a variable remuneration of up to 33% of the fixed gross annual salary, subject to fulfilment of previously set criteria. These financial and non-financial targets are designed to create value in the long term;
- pension on the basis of a defined contribution system;
- other employment benefits (reimbursement of expenses and a company car).

The remuneration package does not include a claw-back provision under which previously awarded variable remuneration can be reclaimed.

There is no fixed severance payment in the event of dismissal and no change-of-control arrangement applies. Stern does not have a policy that provides for severance payments for its Management Board. (See page 55 Deviations from the Corporate Governance Code.)

In early 2019, the Remuneration Committee established the outlines of the financial and non-financial targets for the Management Board in 2019 by means of target setting and a bonus structure. There was consultation with the Management Board on the matter, and the criteria have been adopted by the Supervisory Board. The financial targets constitute 60% and the non-financial targets constitute 40% of the maximum possible variable remuneration of 33% of the gross annual salary. These factors are subdivided into performance criteria and in addition several scenarios have been established for increasing the individual performance criteria in the case of even better performance. The non-financial targets relate to strategic objectives, reducing operating expenses and the development of the organisation. The remuneration policy has been the subject of consultation with the Management Board, and the criteria have been adopted by the Supervisory Board.

Scenario analyses

The Supervisory Board and the Remuneration Committee make use of scenario analyses in the formulation and establishment of the remuneration of the Management Board as stated in principles 3.1 and 3.2 of the Corporate Governance Code. The scenario analyses are made in order to determine the long-term effect of the level and structure of the variable remuneration of the Management Board. The Remuneration Committee evaluates the total remuneration of the Management Board each year in order to ensure that the package continues to be competitive and offers appropriate and risk-based incentives. The remuneration of the Management Board is evaluated by an external agency every five years in comparison to a selected peer group of 15 companies (5 unlisted direct competitors and 10 Dutch listed companies).

Individual remuneration of the Management Board

(amounts x € 1)	Fixed salary (incl. holiday allowance)	Social security contributions	Bonus	One-off bonus	Pension contribution* and -compensation	Sub-total	Car expenses	Reimbur-sement of expenses	Total
Year 2019									
H.H. van der Kwast	486,000	10,703	45,000	200,000	144,854	886,557	72,000	8,400	966,957
Total	**486,000**	**10,703**	**45,000**	**200,000**	**144,854**	**886,557**	**72,000**	**8,400**	**966,957**
Year 2018									
H.H. van der Kwast	486,000	15,552	–	37,500	141,234	680,286	72,000	8,400	760,686
A.A. Swijter (tot 28-9-2018)	300,000	15,062	–	–	41,288	356,350	31,104	1,600	389,054
Total	**786,000**	**30,614**	**–**	**37,500**	**182,522**	**1,036,636**	**103,104**	**10,000**	**1,149,740**

* Since 1 January 2015, Mr H.H. van der Kwast has received € 120,000 per year in compensation for reduced accrual of pension due to changed legislation.

Development of remuneration

(amounts x € 1)	2019	2018	2017	2016	2015
Remuneration of the Management Board					
H.H. van der Kwast (CEO)	886,557	680,286	698,578	879,431	770,074
A. A. Swijter (CFO) (1-6-2016 – 28-9-2018)	–	267,263*	391,056	267,181	–
G.P. ten Brink (CFO) (until 1-7-2015)	–	–	–	–	229,719
* remuneration until 28-09-2018					
Operating profit					
Revenue (x € 1,000)	989,335	1,106,402	1,124,677	1,097,630	1.095,181
Net profit (x € 1,000)	21,377	486	7,499	11,348	11,067
Dividend (in €)	3.50		1.00	1.00	1.00

Average remuneration (on full-time basis):

	2019	2018	2017	2016	2015
CEO	886,557	680,286	698,578	879,431	770,074
Employees	53,113	52,412	50,975	49,967	49,661

Pay ratio

The pay ratio concerns a comparison between the average gross pay (basic salary including 8% holiday allowance and excluding variable remuneration) of all employees (excluding employees on call and trainees) and the gross pay (basic salary including 8% holiday allowance and excluding variable remuneration) of the CEO.

The development of the pay ratio at Stern in the past five years is as follows:

2019	2018	2017	2016	2015
16.7	13.0	13.7	17.6	15.5

In the future, the pay ratio will be compared to similar businesses in the Netherlands and other pay ratios will be studied and reported, such as the pay ratio between men and women.

Variable remuneration

The criteria for bonus payments for 2018 were not met, and accordingly there was no payment of bonus.

The sale of SternLease to ALD Automotive has contributed to the long-term interests of Stern. Due to his successful work on this exceptional transaction, the Supervisory Board will propose to the General Meeting on 7 May 2020 that a one-off bonus of € 200,000 be awarded to Mr H.H. van der Kwast, in derogation from the remuneration policy.

The criteria regarding profit-sharing and bonus payments for 2019 were:

- *financial targets (60%):* the realisation of the budget for 2019 in terms of revenue (10%), net profit (30%), return on equity (10%) and working capital (100%), and
- *non-financial targets (40%): r*ealisation of the targets set in the Fast Forward Reloaded strategic plan (20%) and achievement of targets relating to organisational development (5%) and operational efficiency and digitalisation (15%).

Scenario analyses regarding remuneration are considered in the setting of the budgeted profit target and the other targets. In 2019, the bonus is based on 30% of the maximum level (2018: 0%). The Supervisory Board has established that the financial targets for 2019 have not been realised. 30% of the non-financial targets (with a weight of 40%) was realised: 15% for the targets in the strategic plan, 5% for the organisational development targets and 10% of the targets for operational efficiency and digitalisation. Based on the above, the Supervisory Board has resolved to award Mr H.H. van der Kwast a bonus for 2019 of 30% of the maximum attainable bonus of 33% of fixed gross annual salary (€ 45,000).

In early 2020, the Remuneration Committee established the outlines of the financial and non-financial targets for the Management Board in 2020 by means of target setting and a bonus structure. The scenario analyses were considered in this respect and this led to changes to the targets for 2020 in comparison to 2019. The remuneration policy for 2020 will be put before the General Meeting on 7 May for vote.

Individual remuneration of the Supervisory Board

(amounts x € 1)	Regular remuneration payable	Remuneration of the Audit Committee	Remuneration of the Remuneration Committee	Total 2019	Total 2018
D.R. Goeminne	40,000		2,500	42,500	43,840
M.E.P. Sanders	32,000	10,000	–	42,000	42,000
A. Roggeveen*	32,000	–	–	32,000	83,350
S.G. Brummelhuis	32,000	–	5,000	37,000	37,000
P.P.M. Nielen	32,000	5,000	–	37,000	36,107
Total	**168,000**	**15,000**	**7,500**	**190,500**	**241,404**

* Due to the termination of the employment of the financial director in mid-2018, Mr Roggeveen was asked to devote additional availability to the Fast Forward project (other remuneration of € 51,350). This proposed remuneration was approved by a majority vote at the General Meeting of 9 May 2019.

(amounts x € 1)	2019	2018	2017	2016	2015
Specification for past five years:					
D.R. Goeminne	42,500	43,840	50,000	50,000	50,000
M.E.P. Sanders	42,000	42,000	42,000	42,000	42,000
A. Roggeveen	32,000	83,350	32,000	32,000	32,000
S.G. Brummelhuis (vanaf 11-5-2016)	37,000	37,000	32,000	20,400	–
P.P.M. Nielen (vanaf 21-12-2017)	37,000	36,107	–	–	–
Total	**190,500**	**241,404**	**156,000**	**144,400**	**124,000**

The remuneration of the supervisory directors encourages an adequate performance in this position and is not dependent on the results of Stern. The remuneration of the supervisory directors reflects the time spent and the responsibilities relating to their position. A remuneration benchmark is calculated on a regular basis to establish whether the remuneration of the supervisory directors is still appropriate or requires adjustment. The remuneration of supervisory directors does not include the award of shares or options on shares.

Share ownership by the Management Board

	2019	2018
H.H. van der Kwast (via Merel Investments B.V.)	700,000	700,000
A.A. Swijter (per 28-9-2018)	–	-

Share ownership by the Supervisory Board

	2019	2018
D.R. Goeminne	25,000	25,000
M.E.P. Sanders	–	–
A. Roggeveen	–	–
S.G. Brummelhuis	–	–
P.P.M. Nielen	–	–

No option rights, advances or guarantees are provided to the members of the Management Board of Stern and/or to members of the Supervisory Board.
The shares in Stern held by Mr D.R. Goeminne represent a long-term investment.

Protection of birds

A close affinity between Vogelbescherming Nederland and Stern: action!

Renewal

The nitrogen crisis, CO_2 emissions, climate change, these are the issues in the news these days. These are problems that need to be addressed. That requires creative thinking, research, new approaches. This brings us straight to a close affinity between the Dutch Society for the Protection of Birds (Vogelbescherming Nederland) and Stern: action! This will benefit a breed like the snowy plover. This extremely vulnerable bird needs a dynamic and mainly salty coastal environment. The kind of conditions that also suit the little tern. Snowy plovers nest on quiet, bare sandy surfaces. Sometimes as a single pair, sometimes in separate colonies. They live on snails, crustaceans, insects and small worms that they dig out of the ground. Our dynamic coastal areas once provided a good home for around 1,000 breeding pairs of this special bird. Today, they number around 140. The snowy plover is found mainly on our south-west coast. But dynamic coastal environments have become scarce here as well. In addition, increasing recreation along the coast means that potential breeding areas along the beaches are no longer suitable.

Time for a new approach. Even across borders. Because we are creating a piece of the Mediterranean here in the Netherlands for the snowy plover. It is known that snowy plovers thrive and breed successfully in salt marshes such as occur in France and Spain. So why not create a salt marsh in the mainly sunny Zeeland? The 'Waterdunen' in the north-west corner of Zeeuws-Vlaanderen, close to Breskens, would be an ideal place for this. Work here is ongoing on creating a new nature and recreation area of 350 hectares. During the work, in past years there were already several bare coastal areas that were well suited to pioneer species like the snowy plover. But these areas will become overgrown. To retain the 10 to 14 breeding pairs, the manager, Stichting Het Zeeuwse Landschap, has reserved an area of 1.5 hectares for a salt marsh. In cooperation with Vogelbescherming and with financial support from Stern. A salt marsh such as this will provide the sort of permanent pioneer situation that the snowy plover loves. An important step was made in 2019 with the laying of what is known as a tidal culvert, which is needed for the creation of salty areas in Waterdunen. If everything goes according to plan, the salt marsh will be completed in 2021. Visitors will have an excellent view from behind observation screens. Hopefully this will please the snowy plovers. And who knows, this project could be a blueprint for similar projects along the coast.

Corporate Social Responsibility

About this CSR report

Corporate social responsibility is an essential part of Stern's strategy. Stern is looking beyond its profit and loss figures and is consciously focusing on the consequences of its business operations for people and the environment in both the short and the longer term. Stern looks for sustainable solutions that deliver a social and/or environmental benefit in combination with a direct or indirect financial gain. Our sustainability policy goes further than what is required under legislation and regulation.

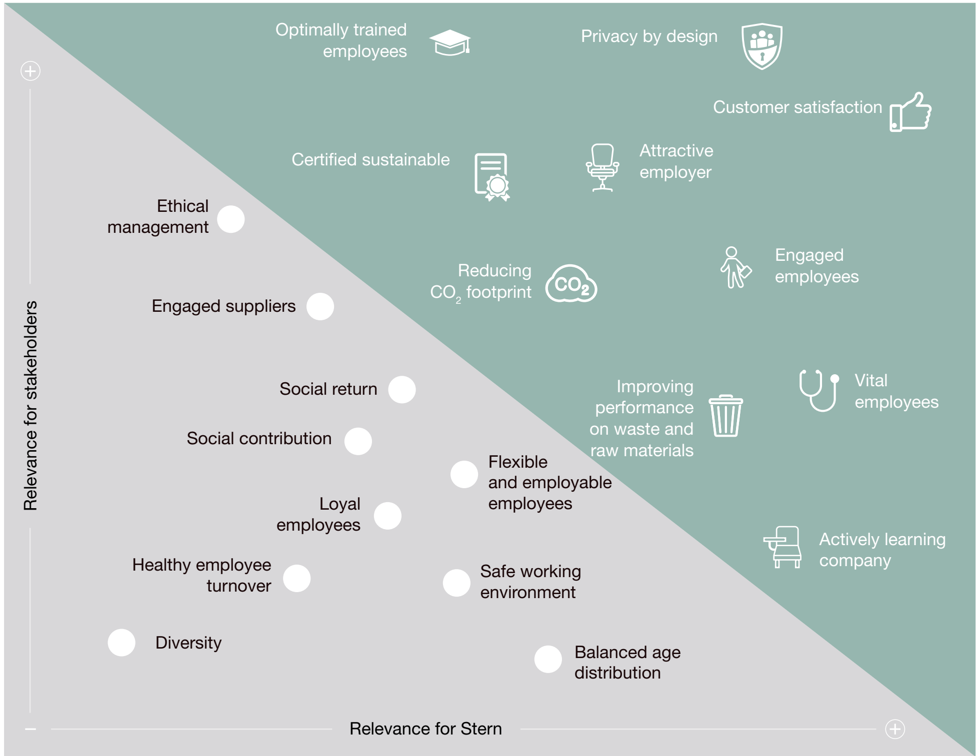
The Management Board has formally placed responsibility for CSR with the Director Corporate Affairs, who is a member of the Group Council, the company body responsible for operational management. Besides the Management Board, the Group Council consists of the financial director, the directors of the operating companies, the Group controller and the directors of HRM and Corporate Affairs. The Group Council meets every 14 days. The theme of corporate social responsibility has been a regular subject of discussion in the Group Council in 2019. The Director Corporate Affairs chairs the Sustainability Team, which includes a representative from each operating company. The Sustainability Team meets three times a year.
The reports of the Sustainability Team are shared with the Group Council.

This reports describes the efforts made with respect to sustainability in 2019 and the results achieved on the 10 material topics. The original materiality matrix that was formulated on the basis of internal and external stakeholder dialogues at the end of 2016 was reformulated at the end of 2018. This led to minor recommendations based on further insights that have been adopted by the Management Board.

The material topics are shown in the green section. Stern reports according to the "Core" option of the G4 guidelines for sustainability reporting of the Global Reporting Initiative (GRI). The related GRI index is included on page 87 and following of this report.

This report includes the data and information on all the business units of Stern. In case of deviations, this is stated in the text. A list of our companies, locations and participating interests is provided on page 153 of this annual report. All the base data have been checked and validated internally.

Materiality matrix



Stakeholder dialogue and materiality

Stern involves its stakeholders closely in the formation and further development of its CSR policy. Stern's major stakeholders are its customers, car importers, suppliers, employees, shareholders, financiers, umbrella industry organisations, local and national government and social organisations. There were frequent consultations with stakeholders during the year in addition to the more or less institutionalised communication. The following issues were discussed:

Stakeholder group	Items discussed	Frequency of discussion
Importers	Development of new models, innovation, CO_2 emissions, introduction of new hybrid and electric cars, education and training	Monthly
Customers	Reduced CO_2 emissions, cost savings, fleet management, framework contracts, sustainability policy	Monthly
Educational institutions	Education and training, training policy, effect analysis, costs, requirements set by the market, making the automotive industry and its trades more attractive	Twice a year
Government and industry institutions	Making the fleet greener, reducing CO_2 emissions, subsidy arrangements, innovation, mobility effects of driverless cars, sustainability policy	Four times a year
Employees	Employee satisfaction surveys, training, collective employment agreement, absenteeism management, safety, health of employees, social return	Daily
Suppliers	CSR in procurement, Code of Conduct, supplier audits, energy saving, circular economy, waste policy	Twice a year
Social organisations	Projects, involvement, application of financial contribution, communication, sustainability policy, sharing knowledge and experience	Twice a year
Financiers	Return, strategy, sustainability policy, trends, financial position, solvency, investment	Quarterly

Contribution to sustainable development targets

The Sustainable Development Goals (or 'SDGs') are a series of targets for future international development. The SDGs were formulated in 2015 by the 193 countries of the United Nations (UN) as global targets for sustainable development for the period until 2030. Stern is also making its modest contribution.

The following SDGs are relevant for Stern:

Ability to create value

With its integrated business model, Stern creates value with various capitals: financial, human, physical and natural, concrete output in the form of mobility solutions, customer satisfaction and business continuity as well as in the form of more socially relevant outcome, such as road safety, reduced CO_2 emissions, innovation in the chain, continuity in mobility and employment. See also the connectivity table on page 73.

Contribution CO_2 reduction | Road safety | Innovation in the chain | Continuity in mobility | Employment

Outcome

Output

Stern's contribution to the Sustainable Development Goals (SDGs)

Business continuity

Net revenue	989.3 mln.
Operating result	21.4 mln.
Solvency	26.6%

Customer satisfaction score

Medium	8.8

Environmental impact

CO_2 emissions (scope 1 and 2)	-11%
% recycling car body repairs	72%
% recycling dealerships	84%

Sales of light commercial and other vehicles

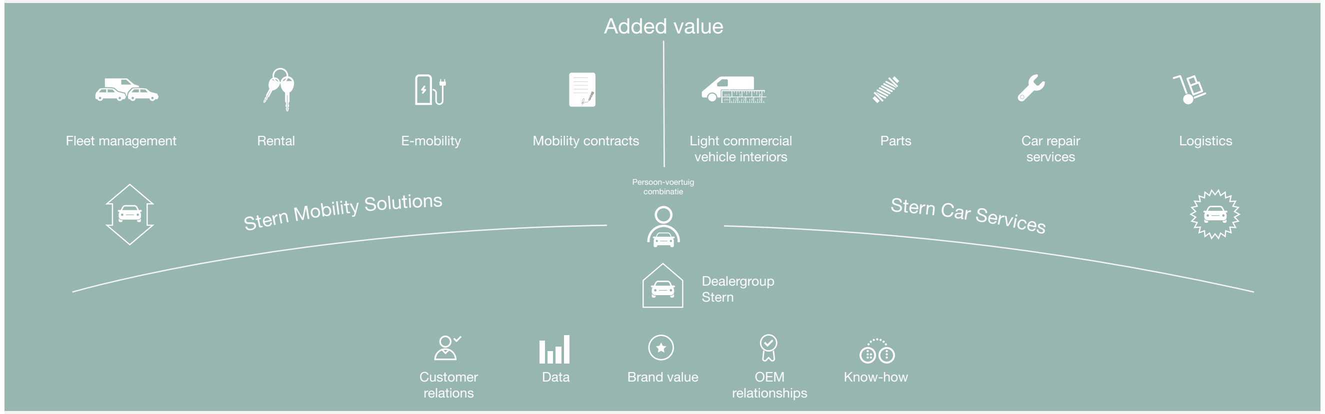
New passenger cars	20,862
New light commercial vehicles	6,156
Used passenger cars and light commercial vehicles	20,480

Mobility Solutions

Fleet under management	11,071
Rental days sold	756,297
Mobility contracts	57,560

Car Services

Damage cases settled	25,298
Interiors sold	2,108
Number of packages carried	176,209



Input

Financial capital

Equity	
Per share	€ 26.90

Human capital

FTEs	1,858

Physical capital

Branch network	57
Car body repair facilities	15
Car rental facilities	19

Natural capital

Electricity use		
High	10,364,207	kWh
Low	4,618,749	kWh
Gas usage	2,201,888	m^3

Connectivity table

Material topic	KPIs Target 2019	KPIs Actual 2019	Main objective	Page in CSR section	SDG	Impact Stern	Relevant capitals	Risks	Page in Risk section
Customer satisfaction	8.5	8.6	To be the most valued and recommended partner for individual mobility in the Netherlands	74	8 + 12	We see ourselves as the partner of choice for individual mobility. The evidence for this is our customer appreciation.	• Human • Physical • Financial • Natural	• Dependence on suppliers • Negotiating strength with lease companies • Online customers	46
Privacy by design	0	0	No fines from the Dutch Data Protection Authority	75	11	We safeguard the privacy of our customers and employees, keep their data secure and explain clearly what we use these data for.	• Human • Financial	• Automation and data security	48
Optimally trained employees	to be determined	to be determined	Employees who have the right knowledge and skills for their work and their ambitions	76	4 + 8	The development of our employees contributes to their intrinsic motivation, the internal mobility of our employees and their loyalty.	• Human • Financial	• Efficiency in workshops and showrooms • Labour market • Cost development	47
Attractive employer	to be determined	to be determined	Proud employees who act as ambassadors for the company	77	8	Finding employees with sufficient qualifications is essential for the company's continuity.	• Human • Financial • Natural	• Labour market • Development of costs	47
Engaged employees	Baseline measurement	7.2	A general score from employees higher than 8.0	78	8	We offer and safeguard a working environment in which employees are happy and contented.	• Human • Financial	• Labour market • Development of costs	47
Vital employees	4.4%	4.5%	Average absenteeism of less than 4%	79	3 + 8	We invest in the physical and mental health of our employees, as they are our most important capital.	• Human • Financial	• Efficiency in workshops and showrooms • Labour market • Development of costs	47
Sustainability certification	Plus	Premium	Every Stern facility has at least an Erkend Duurzaam Plus certificate	80	13	Stern looks for sustainable solutions that deliver a social and/or environmental benefit in combination with a direct or indirect financial gain.	• Human • Physical • Natural	• Efficiency in workshops and showrooms	47
Reducing the CO_2 footprint	-1%	-11%	Annual decline of CO_2 emissions of 1%	81	13	We strive to minimise our energy use by encouraging energy-saving measures.	• Human • Physical • Financial • Natural	• Development of costs	47
Improving performance on waste and raw materials	-1%	-3%	Annual decline of waste volume of 1%	83	13	We work actively on minimising waste by encouraging waste separation and preventing waste flows where possible.	• Human • Physical • Financial • Natural	• Development of costs	47
Actively learning company	6.2%	6.7%	More than 5% trainees in employment	85	4 + 8	We invest in people who are keen to learn.	• Human • Financial	• Labour market • Development of costs	47

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Targets and notes on material topics

Customer satisfaction

ECONOMIC

Description

The extent to which customers are satisfied with the services provided by Stern companies.

Boundary

Management Board, Group Council, management of operating companies, facility management, employees, importers, customers.

Target, KPI or description

Customers are requested to express their general satisfaction with a score from 1 (very dissatisfied) to 10 (very satisfied). Stern companies strive to achieve a score of 8.5 or higher. The measuring of general satisfaction is made by surveys the companies send out or on the basis of reviews written by customers.

Management approach

For many years, customer satisfaction has been measured by surveys conducted for importers and/or our own surveys, and increasingly by external independent specialists. Customer satisfaction reports are discussed by the management of the operating companies with facility managers and employees with the aim of improving service.
A critical review or a report score of 7 or less is followed up by an employee of the operating company in question with the aim of establishing how we can improve the satisfaction of the customer concerned.

Materiality

Both Stern and its stakeholders consider customer satisfaction to be an important measure of the company's sustainable success.

Result

Due to the various brands carried by Dealergroup Stern and the variety of products and services provided by Stern, different methods are used to measure customer satisfaction. The reviews and measured figures are accordingly reported for each company.

Overall customer satisfaction regarding the service provided by Stern remained at the same high level in 2019 as in 2018. On the basis of the numbers and measured figures, the weighted average for Stern as a whole in 2019 was again 8.8. Customer satisfaction at Stern Auto, Ardea Auto, Havik Auto and Vireo Auto declined slightly, but rose at Arend Auto, Durmi Auto, Heron Auto and Jager Auto. Jager Auto saw the largest increase, climbing by 0.7 of a point.

Privacy by design

SOCIAL

Description

Stern wants to be the most valued and recommended mobility partner in the Netherlands and an excellent employer. This is only possible if we take the utmost care with the personal data of our customers and employees.

Boundary

Management Board, Group Council, management of operating companies, facility management, employees, Privacy Team, importers, customers, suppliers, external data protection officer (DPO).

Target, KPI or description

No fines from the Dutch Data Protection Authority.

Management approach

The Management Board has formally placed responsibility for data protection with the Director Corporate Affairs, who is a member of the Group Council, the company body responsible for operational management. The Management Board of Stern is an integral part of the Group Council, in which a director from each of the operating companies is represented. The Director Corporate Affairs chairs the Privacy Team, which includes a representative of each operating company.
The Privacy Team met on three occasions in 2019. These meetings were attended by the external Data Protection Officer appointed by Stern. The reports of the Privacy Team are shared with the Group Council.
Although not mandatory under the General Data Protection Regulation (GDPR), the Management Board of Stern Group has appointed a Data Protection Officer (DPO). The duties of the DPO include supervision of compliance with the GDPR and the business policy applied by Stern in this respect (the design and operation of internal risk management and control systems for the protection of personal data).

Materiality

Stern considers the protection of data on its customers, employees and other relations to be strategic importance and that careful management of these data contributes to the realisation of its long-term business goals.

Result

Stern is among the smaller listed companies. The size of our business and our group structure demand conscious choices and compact solutions. Stern has taken appropriate measures to ensure that the processing of personal data is conducted in accordance with the General Data Protection Regulation (GDPR). These measures are evaluated and updated when necessary. Stern is transparent with respect to its data processing and the protection of personal data. People have access to GDPR services, including the possibility to request to view their data and have these corrected or deleted if necessary.
In his report for 2019, the DPO stated: “The transition from compliance (necessity) to commitment (intention) has happened at Stern. For Stern, the GDPR is instrumental in the realisation of its business goals. Stern understands the connection between GDPR policy and customer satisfaction.
The principles of the GDPR have become the principles for its business conduct. Exemplary conduct and accountability are visible at all levels.
In the context of the GDPR, Stern has earned appreciation, trust and credit in the event that a problem nevertheless arises. Because one cannot fully exclude the possibility that incidents or discussions will occur.”

Optimally trained employees

SOCIAL

Description

The extent to which Stern invests in its personnel.

Boundary

Management Board, Group Council, managements of operating companies, Stern HRM, managers and employees.

Target, KPI or description

Stern has set itself the target of measuring the investment it makes in the training and education of its employees, as well as the number of days spent by employees on this. A baseline measurement needs to be established, on the basis of which a specific KPI can be established.

Management approach

Whether organisations survive or not depends on the extent to which they are able to adapt to continually changing external and internal circumstances. Stern uses the 70:20:10 model (70% learning on the job, 20% cooperation and interaction and 10% training and education) for the development of its employees. Training courses intended to raise, maintain or deepen product knowledge are initiated by the importers (among others) and followed at set times by employees of Dealergroup Stern. Proprietary e-learning modules are also used to train sales advisers. Courses for the personal development of employees are also offered.

Materiality

Customer expectations and behaviour change rapidly. The products carried by Stern are also developing at a rapid pace. Training and education aims to ensure that employees have the right knowledge and skills to continue to be successful despite these changes. Stern assigns a high priority to the development of its employees.

Result

Various courses on personal development and leadership were held in 2019, offering skills training to all (around 300) people in management positions. Most of the hours spent on training involved product-related courses offered by importers for mostly technical employees. The number of training hours (taken as leave) are fully registered, but the type of training these hours are used for is not (as yet) recorded. Stern has set itself the objective in 2020 of improving the available information on the nature of the training hours (trade courses, leadership courses and encouraging the personal development of employees) and the investment that it makes in training its personnel.

There will be additional training to increase the customer orientation of employees in 2020 as this is part of the basis for the transformation of Stern from a dealership organisation into a service-oriented mobility partner.

Attractive employer

SOCIAL

Description

The extent to which Stern is seen as an attractive employer in the labour market.

Boundary

Management Board, Group Council, managements of operating companies, Stern HRM, managers and employees.

Target, KPI or description

Many high-quality applicants, and proud employees keen to act as ambassadors for Stern.

Management approach

Stern strives to be an attractive employer. Stern has an impression of what employees consider to be important in an employer by conducting its Employee Satisfaction Survey (see also the section ‘Engaged employees’). The findings from this survey give Stern indications of how to influence its profile in the labour market. Some elements of this concern a pleasant working environment, a decent salary and secondary employment benefits.

Materiality

The labour market is changing, the population is ageing and good quality personnel are hard to find. It is important that Stern is visible and seen as an attractive employer to ensure that the best people come to work at Stern. The economic prospects mean that it will become more and more difficult to attract motivated technical personnel in future. There is visible tightness in the labour market at the dealer and car body repair companies and it is difficult to fill vacancies.

Result

The automotive industry is facing a serious shortage of well-trained technical personnel. The focus in 2019 was accordingly on retaining our mechanics and finding new ones. A recruiter was engaged for this and our own mechanics were urged to recruit new colleagues from their networks. Exit interviews were held with departing employees in order to identify how Stern could possibly improve its profile as an employer.

In the Amsterdam region, Stern has for many years been involved with NexTechnician, which focuses on the training of technical personnel. Educational institutions and businesses are working closely together here with the aim of closing the knowledge gap between theory and practice. People joining the NexTechnician programme are also eligible for a traineeship at one of the affiliated companies. This enables Stern to offer an interesting career to enthusiastic employees.

Engaged employees

SOCIAL

Description

The extent to which employees say they are happy and content with their work and their working environment.

Boundary

Management Board, Group Council, managements of operating companies, Stern HRM, managers and employees.

Target, KPI or description

Stern strives to achieve a general score from its employees of 8.0 or higher. The Employee Survey in 2018 gave Stern a score of 7.2. Improvement plans have been developed and implemented on the basis of the results in cooperation with management and employees. The Employee Survey will be repeated every two years.

Management approach

A detailed baseline measurement was established by means of an Employee Survey at the end of 2018. The results of the survey were discussed in the Group Council at the beginning of 2019.
The results and some initial improvements were announced in the Stern employee magazine in April 2019. Improvement plans were then developed by the management and employees at each operating company. The Employee Survey will be repeated at the end of 2020.

Materiality

Enthusiastic and loyal employees drive our organisation. Their enthusiasm is experienced by our customers. This not only benefits customer relations, it demonstrably increases customer loyalty. A satisfied employee will be less inclined to leave Stern of their own accord. Employee engagement and the extent to which employees are committed to their work and Stern are also important. Measuring employee satisfaction and loyalty ensures that Stern has a detailed understanding of how its employees feel. This is a starting point for further improvement.

Result

The Employee Survey has provided a great deal of useful information on how employees experience working at Stern. The general conclusion is that improving communication between employees and between employees and managers would contribute to better understanding and more pleasant working conditions. Many of the results and answers to open questions point in this direction. It has been agreed that each business division will formulate and implement improvements in cooperation between employees and managers. The most important improvements to be centrally implemented in 2019 concerned the introduction of new-style evaluation interviews and skills training for all managers.

Vital employees

SOCIAL

Description

The management, prevention and reduction of short, medium and long-term absenteeism due to sickness.

Boundary

Management Board, Group Council, managements of operating companies, Stern HRM, managers and employees.

Target, KPI or description

Stern strives to achieve an average absenteeism percentage that is lower than the average absenteeism percentage in the industry, but is investigating whether other (more comparable) benchmarks are available. Special attention is devoted to long-term sick leave.

Management approach

Stern strives to keep its organisation vital and healthy, offering its employees pleasant and healthy working conditions. As a result of the Eligibility for Permanent Disability Benefit (Restrictions) Act (Wet verbetering Poortwachter), Stern has devoted additional attention to its absenteeism policy, with the aim of reducing sick leave by looking for and implementing preventive measures, appropriate options for reintegration and intervention. Line managers play an active role in managing sick leave during the initial period (up to six weeks). After six weeks, the HR Business Partner takes the lead in monitoring sick leave and complying with all the obligations under this Act. Sick leave is discussed on a monthly basis at the meetings of the Management Board.

Materiality

We take the health, involvement and development of our employees seriously.
This will lead to more pleasant working conditions, less sick leave and higher labour productivity.

Result

Sick leave rose by 0.1% in 2019 compared to 2018. Despite all the attention to rapid follow-up in case of sick leave, Stern employees were – as in 2018 – affected by the influenza epidemic in the first three months of 2019, which led to a sharp increase in short-term sick leave. Employee absenteeism came to 4.5% in 2019 (2018: 4.4%). The BOVAG industry average in 2019 on the other hand declined by 0.1% to 4.3%. These absenteeism figures are prepared by ArboNed on the basis of the customer base affiliated to ArboNed. The national absenteeism figure for 2019 (for all industries) has not yet been announced (2018: 4.3%). We will study further to establish whether an absenteeism benchmark could be compiled with coordination by BOVAG on the basis of the larger dealer holding companies in the Netherlands.

There were 2,416 sickness reports in 2019 (2018: 2,794), and the average reporting frequency was 1.2 (2018: 1.2). 1,333 employees (approximately 60%) reported sick on one or more occasion (2018: 1,524 employees; 63%). We continue to call for managers to hold frequent sick-leave interviews and in some cases we engage the assistance of a health and safety expert.

Certified sustainable

ENVIRONMENT

Description

The organisation responsible for Erkend Duurzaam certification is the Instituut voor Duurzame Mobiliteit (Institute for Sustainable Mobility), or IvDM, which operates the scheme on behalf of the stakeholders BOVAG, RAI Vereniging, FOCWA Schadeherstel and STIBA. The audits are carried out by ARN, the independent Dutch expertise centre for recycling in the mobility industry. Over the years, the Erkend Duurzaam certificate has become the main sustainability quality mark for the automotive industry.

Boundary

Management Board, Group Council, management of operating companies, facility management, employees, customers.

Target, KPI or description

Every Stern facility has an Erkend Duurzaam Premium certificate.

Management approach

Improvement plans are formulated and their implementation is coordinated by the Sustainability Team. A sustainability ambassador has been appointed for each operating company who guides the audits and monitors implementation of the improvement plans.
The results, recommendations, improvement plans and actions are discussed with the management of the operating companies and the facility management.

Materiality

External and independent testing of the degree to which Stern has demonstrably embedded sustainability and CSR in its business operation.

Result

Stern was again audited by the IvDM in 2019, and was the first dealer holding company to obtain Erkend Duurzaam Premium certification in December of that year. Erkend Duurzaam Premium is the highest level of CSR certification and is only awarded after achieving Plus certification. The focus of the Erkend Duurzaam Premium certification is on transparent reporting of efforts and results in relation to sustainability. The certification followed an intensive period of audits at the various facilities.
The audit report states that “As a mobility group, Stern has really distinguished itself with respect to sustainability. In the complex structure of a dealer holding company with multiple businesses and car brands, it has ensured that sustainable business operation is applied and embedded at all levels of the business operation.”

Reducing the CO_2 footprint

ENVIRONMENT

Description

Minimising energy use by encouraging energy-saving measures. Continuous adjustments are made, also due to changing internal and external factors, to ensure that we treat our environment with care and control waste costs.

Boundary

Management Board, Group Council, management of operating companies, facility management, employees, energy management partner.

Target, KPI or description

The energy use of all facilities in 2020 to match the best-performing facility in 2014. The emission of greenhouse gases (scope 1 & 2) is also reported on the basis of the G4 guidelines. Stern has set itself the target of reducing its CO_2 emissions by 1% a year.

Management approach

Improving insight into energy use and improving the energy efficiency of various production and other processes. Stern has identified the cost-effective energy-saving measures for all its facilities and formulated an action plan to realise these measures in the coming years. The sustainability ambassadors and location managers are informed of the development of energy use and the energy targets set for each facility on a monthly basis.

Materiality

The use of energy from fossil fuels harms the environment and contributes to climate change. Stern therefore aims to minimise its use of energy and use sustainable energy as far as possible.

Result

Stern reduced its CO_2 emissions by 11% in 2019. In addition to a reduction of energy use, 100% of the electricity volume was compensated with Guarantees of Origin (GoOs) from European wind in 2019. The CO_2 emissions thus avoided amounted to 9,724 tonnes. Stern will further reduce its CO_2 footprint in the years to come.

Energy use in absolute terms declined for both electricity (-4.4%) and gas (-1.7%) in 2019.
For electricity, the reduction in use was greater in the high tariff (-5.0%) than in the low tariff (-3.2%).
The use of gas also fell, after adjustment for the difference in external temperatures between 2019 and 2018, despite an increase in the total number of gas connections.
A number of facilities also underwent large-scale renovation in 2019, with specific attention to energy-saving lighting. Continuous energy monitoring ensures that inefficient energy use is reduced, and also that the results of the energy-saving measures implemented are made visible.
As part of the requirement to provide information, a large-scale inventory of the status of the List of Recognised Measures (Erkende Maatregelen, or EML) was conducted. Stern has already made significant progress in this area, and will strive to achieve full compliance with respect to energy-saving

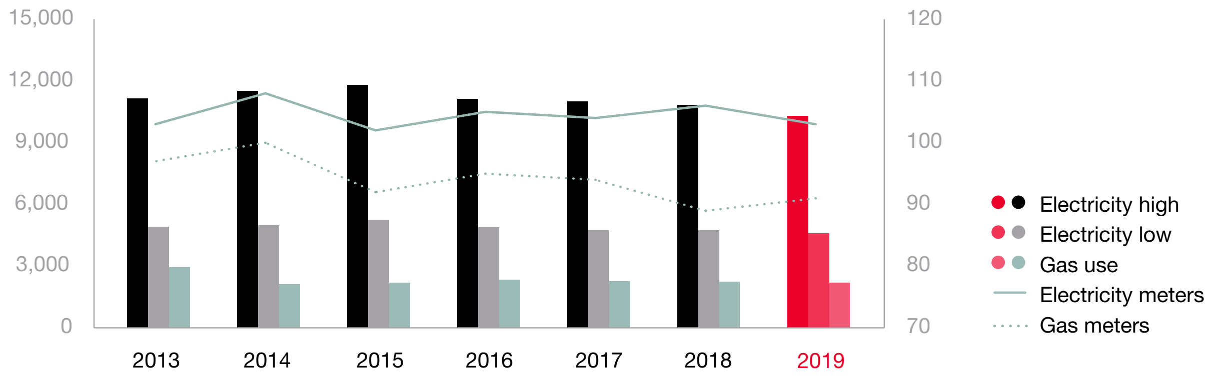
Reducing the CO_2 footprint

ENVIRONMENT

Results

Energy consumption at Stern

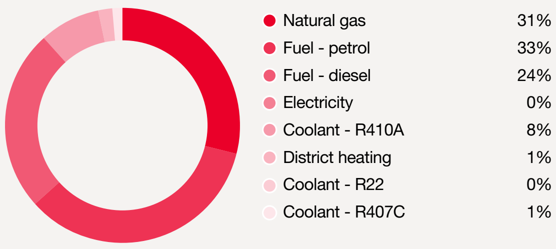
kWh and m³ x 1,000 (l.h. axis), number of gas and electricity meters (r.h. axis)



CO_2 footprint

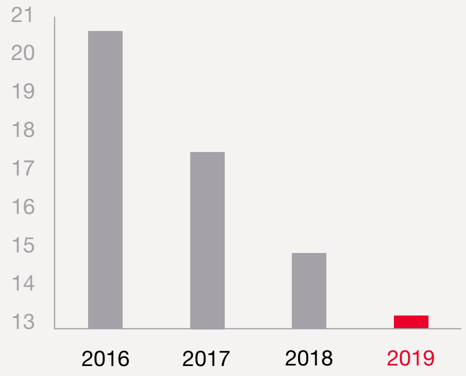
Scope 1 & 2

2019



CO_2 emissions

In 1,000 tonnes



Improving performance on waste and raw materials

ENVIRONMENT

Description

Minimising non-recyclable waste by facilitating and encouraging waste separation and preventing waste flows where possible. The waste policy also contributes to Stern's ambition to move towards a circular economy: from consumption to the use of raw materials.

Boundary

Management Board, Group Council, management of operating companies, facility management, employees, waste management partner.

Target, KPI or description

The target in 2019 was to further reduce the total volume of residual waste and the total amount of waste (given comparable workshop revenue). The aim is to achieve a recycle percentage for Dealergroup Stern of 82% or higher.
The target for Stern Point is 75%.

Management approach

Improvement plans are formulated and their implementation is coordinated by the Sustainability Team. A sustainability ambassador has been appointed for each operating company who oversees implementation of the improvement plans. The results, recommendations, improvement plans and actions are discussed with the management of the operating companies and the facility management. Together with an external waste management specialist, experiences and knowledge are shared on the basis of actual business cases. Continuous adjustments are made, also due to changing internal and external factors, to ensure that we treat our environment with care and control the costs of waste. With our waste policy, our environmental performance is improving and the costs of waste are manageable and visible. All the internal stakeholders use an online portal in which they can monitor their performance on waste and raw materials at each facility and compare this with the set target. The directors of the operating companies receive quarterly reports.

Materiality

Waste harms the environment. Stern accordingly wishes to avoid this where possible.

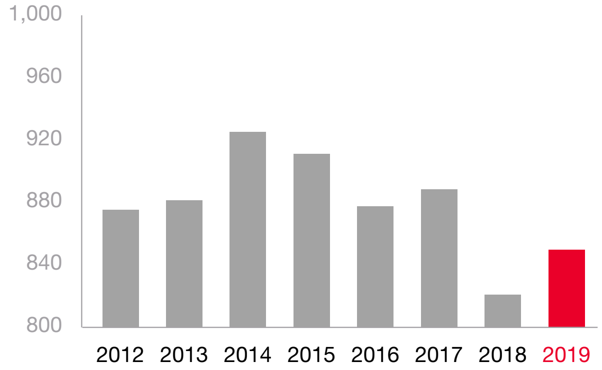
Improving performance on waste and raw materials

ENVIRONMENT

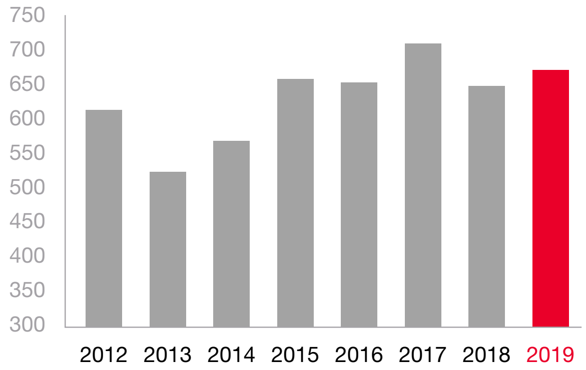
Results

Waste performance indicators 2019	2018 Target	2018 Actual	2019 Target	2019 Actual	2020 Target
Total residual waste	-1%	-4%	-1%	-3%	-2%
Residual waste in kg per mechanic Dealergroup Stern	850	821	821	842	825
Residual waste in kg per mechanic SternPoint	650	650	650	673	661
Waste separation percentage Dealergroup Stern	82%	82%	82%	84%	84%
Waste separation percentage SternPoint	75%	69%	70%	72%	73%

Residual waste per mechanic Dealergroup Stern
In kilograms



Residual waste per mechanic SternPoint
In kilograms



Result

The total amount of residual waste in 2019 was 638 tonnes, a decline of 3%. The waste separation percentage at Dealergroup Stern has risen to 84%, This is the highest percentage ever achieved. Residual waste in kg per mechanic at Dealergroup Stern was higher than the target due to a structural shortage of mechanics, while revenue increased. The target for waste separation at SternPoint was not achieved, but there was an improvement on the previous year. The trend in car body repairs is for repair rather than replacement. This reduces the number of kilograms of metals and plastics. Unused paint is also accepted for return by our supplier. Lastly, a repair business has less diversity in its waste flows than a dealership. For example, the amount of batteries and waste oil at a repair shop is very limited. This leads to a higher percentage of residual waste compared to the total amount of waste. The target for residual waste in kg per mechanic was higher than the target due to a decline in the number of mechanics, coupled with higher productivity per mechanic.

Actively learning company

SOCIAL

Description

The number of trainees in training at Stern companies.

Boundary

Management Board, Group Council, managements of operating companies, Stern HRM, managers and employees.

Target, KPI or description

At 31 December 2019, there were 134 trainees in employment who are taking a Beroeps Begeleidende Leerweg (BBL) (vocational) training (2018: 144). There were also 39 interns in employment as part of a Beroeps Opleidende Leerweg (BOL) (prevocational) training pathway (2018: 45).

Management approach

With a large number of facilities in the Amsterdam region, for several years Stern has been a member of NexTechnician, a regional training initiative in which schools, industry and the Municipality of Amsterdam work on a permanently improved connection between education and the labour market in the automotive sector. NexTechnician has started a similar initiative in Rotterdam. There are however no concrete plans in the Utrecht/The Hague region at this point. We also looked for cooperation with the IVA Business School to attract young middle or higher educated people for sales positions in 2016. Stern wants to pursue an active policy of attracting young people to the automotive industry and retaining the best talent through providing information at schools.

Materiality

Reducing the average age of employees is essential for Stern. The sector has seen an ageing of the workforce for several years. Many Stern facilities are recognised as training companies and the trainers at Stern have been transferring knowledge and craftsmanship to young mechanics and repairers for many years. Stern offers apprenticeships to trainees following a BBL or a BOL training pathway. BBL trainees have a paid job with Stern as a recognised training company, learn on the job and go to school one day per week. BOL interns go to school four days per week and work as interns one day per week.

Result

The lower number of trainees in 2019 compared to the previous year is due to the merging or sale of branches.

Policy objectives and actions on non-material topics

Non-material topics	Policy objectives and actions
Loyal employees	On average, the length of employment at Stern was 11.6 years during 2019 and is thus virtually unchanged in comparison to 2018 (11.1 years). Mobility of labour is usually most apparent in the category of employees aged less than 35 years. In order to achieve our target of reducing the average age, Stern also strives to encourage mobility in the higher age category.
Safe working environment IF (Incident Frequency) and LTI (Lost Time Injury)	Stern has a legal responsibility of care and has to design its workplace for optimal safety at work and instruct its employees regarding safety at work. Despite this, accidents at work may happen. Stern classifies accidents at work as serious if the case involves admission to hospital for more than 24 hours, permanent injury or bone fracture. These accidents for which reporting is mandatory are notified immediately to the Labour Inspectorate. There was one serious accident at work (involving Stern employees and third parties) in 2019 (2018: 2).
Balanced age distribution	Stern strives to achieve a balanced age distribution of its personnel. The auto industry has to cope with rapidly changing technologies, which places demands on the level of education, knowledge and background of personnel at Stern companies. To achieve the right mix of employees with knowledge of traditional auto techniques and new technologies, the ongoing training of employees and intake of sufficient school leavers with the right education are very important. An adequate intake also means that existing employees have to move on to other jobs within or outside the company. The composition of the workforce in age categories in 2019 was more or less unchanged from that in 2018. Stern is maintaining its long-term target and hopes to achieve a decline in the average age of its workforce of one year in 2020.
Flexible and employable employees	Sustainable employability is needed in light of the contracting labour market, necessity of labour participation and flexible demand for labour. Long term and extensive sick leave is expensive. Much of this can be avoided if we are aware of what is going on. The dialogue with our people is the first priority in relation to sustainable employability. If we identify problems in good time, we can discuss the situation with the employee and find an appropriate solution together. Part of sustainable employability is also making use of the talent available at Stern. Sustainable employability moreover increases the flexibility of our organisation.

Non-material topics	Policy objectives and actions
Ethical management	Stern considers it important to provide the fullest and most transparent account of its organisation and how it conducts its day-to-day business as possible. Stern accordingly provides much information each year in its annual report on its policy and certain themes in addition to its annual figures. In addition to the information published in this annual report Stern publishes the following documents on its website in the section on Corporate Governance: the articles of association, the regulations for the Supervisory Board, the regulations for the Audit Committee, the regulations for the Management Board, the code of conduct and the whistle-blower scheme. Stern has had a general code of conduct since 2005. The whistle-blower scheme makes it possible for all employees and others to report violations of the code of conduct in confidence. As in previous years, no violations of the code of conduct were reported in 2019.
Social return: employees that are distanced from the labour market	Stern makes a detailed survey of the number of employees that are distanced from the labour market that included their activities and the conditions in which they do their work. Based on this survey, vacancies have been identified for which, given equal suitability, Stern will give preference to persons who are distanced from the labour market.
Diversity	Due to the nature of the mainly garage-related activities and the fact that men are more likely to want to work in the auto industry than women, the male/female ratio at Stern does not correspond to the society in which we live. At year-end 2019, the male/female ratio (in FTEs) was 10% female compared to 90% male employees, virtually unchanged on 2018.
Healthy employee turnover	Employee turnover (outflow in FTEs compared to the workforce in FTEs) was 1.8% on average per month in 2019, compared to 2.0% in 2018. The tightness in the labour market continued in 2019, as a result of which it was easier for employees to move to another employer. Additional attention was devoted to possibilities for internal mobility in 2019. Stern wishes to safeguard the knowledge and professionalism within the company by retaining and developing its employees.

GRI index

For this report, we have used the G4 guidelines for sustainability reporting of the Global Reporting Initiative (GRI). We report according to the "Core" option.

GRI	Description	Explanation/reference	Page in the report
Strategy			
G4-1	Statement of the CEO	Preface Report of the Management Board	5 19-57
G4-2	Important consequences, risks and possibilities	Report of the Management Board	19-57
Organisational profile			
G4-3	Name of organisation	Stern Groep N.V. Profile	Cover 8
G4-4	Brands, products and/or services	Portfolio of car brands Mobility services	9 10
G4-5	Head office location	Pieter Braaijweg 6 1114 AJ Amsterdam-Duivendrecht	153
G4-6	Countries in which the organisation operates	The Netherlands only Profile	 8
G4-7	Ownership structure and legal form	Shareholder information	11
G4-8	Sales markets	Sales Report of the Management Board	3 19-57
G4-9	Company size	Profile Key figures 5-year overview	8 2-3 7
G4-10	Composition of workforce	Personnel CSR report	39 70-86
G4-11	Employees with a collective labour agreement (CLA)	CLA for the motor vehicles industry: 1,541 FTEs CLA auto body shops: 253 FTEs	
G4-12	Description of the organisation's supply chain Description of value chain	Report of the Management Board CSR report Value creation	19-57 70-86 72
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(amounts x € 1,000)

Consolidated statement of income

	Note	2019	2018
Continued operations			
Net revenue	4	**989,335**	988,706
Cost of sales	5	**(816,510)**	(812,307)
Gross profit		**172,825**	176,399
Other income	6	**6,672**	7,720
Employee expenses	7	**(115,635)**	(119,871)
Amortisation of intangible assets	13	**(59)**	(59)
Depreciation of property, plant and equipment	14/15	**(24,826)**	(7,452)
Other operating expenses	8	**(36,248)**	(58,300)
Operating profit (EBIT)		**2,729**	(1,563)
Result from associates		**131**	172
Financial income and expenses	9	**(7,065)**	(4,271)
Profit (loss) before tax		**(4,205)**	(5,662)
Income taxes	10	**3,006**	1,656
Profit (loss) from continued operations		**(1,199)**	(4,006)

	Note	2019	2018
Discontinued operations			
Profit from discontinued operations	12	**22,576**	4,492
Profit after tax (attributable to the shareholders of Stern Groep N.V.)		**21,377**	486
Earnings per share	11		
Weighted average number of outstanding shares		**5,675,000**	5,675,000
Earnings per share from continued operations		**€ (0.21)**	€ (0.71)
Earnings per share from discontinued operations		**€ 3.98**	€ 0.79
Total earnings per share		**€ 3.77**	€ 0.09

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 with effect from 1 January 2019.

(amounts x € 1,000)

Consolidated statement of comprehensive income

	Note	2019	2018
Profit after tax (attributable to the shareholders of Stern Groep N.V.)		**21,377**	486
Other comprehensive income			
Other comprehensive income to be transferred to the statement of income in the following periods:			
Effective portion of changes to the cash flow hedge	33	**469**	(557)
Income taxes		**(117)**	140
Income and expenses not recognised in the statement of income		**352**	(417)
Total comprehensive income after tax (attributable to the shareholders of Stern Groep N.V.)		**21,729**	69
Total profit (loss) attributable to:			
Continued operations		**(847)**	(4,423)
Discontinued operations		**22,576**	4,492
Total profit		**21,729**	69

(amounts x € 1,000)

Consolidated statement of financial position at 31 December

	Note	31 December 2019	31 December 2018
Assets			
Non-current assets			
Intangible assets	13	**22,395**	30,572
Property, plant and equipment	14	**120,966**	327,490
Lease assets	15	**108,026**	–
Investments in associates	16	**–**	1,164
Other financial assets	17	**14,549**	14,472
Deferred tax assets	10	**12,670**	18,073
		278,606	391,771
Current assets			
Inventory	18	**201,401**	237,556
Trade receivables	19	**41,734**	35,304
Other accounts receivable, accrued income and prepaid expenses	20	**9,385**	10,026
Cash and cash equivalents	21	**683**	747
		253,203	283,633
Assets held for sale	22	**41,610**	–
Total assets		**573,419**	675,404

	Note	31 December 2019	31 December 2018
Liabilities			
Equity (attributable to the shareholders of Stern Groep N.V.)	23		
Issued capital		**593**	593
Reserves		**152,046**	154,568
		152,639	155,161
Non-current liabilities			
Interest-bearing loans	26	**49,740**	243,973
Lease commitments	15	**94,317**	–
Provisions	25	**1,366**	1,400
Advance receipts from lease and warranties		**–**	1,521
		145,423	246,894
Current liabilities			
Interest-bearing loans	26	**89,954**	93,888
Lease commitments	15	**19,779**	–
Provisions	25	**3,667**	713
Trade payables	28	**97,422**	139,909
Derivatives	27	**372**	842
Tax and social insurance contributions	29	**5,681**	6,143
Repurchase commitments	30	**8,866**	10,312
Other liabilities and accruals and deferred income	31	**15,871**	21,542
		241,612	273,349
Liabilities held for sale	22	**33,745**	–
Total liabilities		**573,419**	675,404

The comparative figures have not been adjusted due to the application of IFRS 16 Leases with effect from 1 January 2019.

(amounts x € 1,000)

Statement of changes in equity

	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 (/loss) after tax	**–**	**–**	**–**	**103**	**21,274**	**21,377**
Other comprehensive income after tax	**–**	**–**	**–**	**352**	**–**	**352**
Total comprehensive income for 2019 (attributable to the shareholders of Stern Groep N.V.)	**–**	**–**	**–**	**455**	**21,274**	**21,729**
Impact of IFRS 16 Leases due to sale of SternLease	**–**	**–**	**(53)**	**–**	**–**	**(53)**
Result appropriation	**–**	**–**	**(390)**	**–**	**390**	**–**
Cash dividend	**–**	**–**	**(19,863)**	**–**	**–**	**(19,863)**
Balance at 31 December 2019	**593**	**114,734**	**10,436**	**5,602**	**21,274**	**152,639**
Balance at 1 January 2018	593	114,734	33,740	4,688	5,593	159,348
Result after tax	–	–	–	876	(390)	486
Other comprehensive income after tax	–	–	–	(417)	–	(417)
Total comprehensive income for 2018 (attributable to the shareholders of Stern Groep N.V.)	–	–	–	459	(390)	69
Result appropriation	–	–	5,593	–	(5,593)	–
Cash dividend	–	–	(4,256)	–	–	(4,256)
Balance at 31 December 2018	593	114,734	35,077	5,147	(390)	155,161

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

(amounts x € 1,000)

Consolidated statement of cash flow

Click here to view the entire table of the Consolidated statement of cash flow.

	Note		2019		2018
Profit (/loss) before tax		**26,716**		3,410	
Adjustments for:					
Result from associates		**(131)**		(172)	
Result Bovemij Verzekeringsgroep N.V.	17	**(103)**		(876)	
Interest expense in result		**7,014**		4,009	
Amortisation of intangible assets	13	**59**		59	
Depreciation of property, plant and equipment	14	**37,085**		57,682	
Depreciation of lease assets	15	**15,928**		–	
Result on sale of business segments	3	**(29,798)**		(750)	
Result on sale of property, plant and equipment		**(2,574)**		(5,416)	
Contribution to (/ withdrawal from) provisions	25	**3,051**		26	
Advance receipts from lease and warranties		**–**		218	
Movements in working capital:					
• movement in inventory		**5,036**		(10,900)	
• movement in accounts receivable		**(22,955)**		(11,075)	
• movement in accounts payable		**(30,634)**		20,482	
Cash flow from business operation			**8,694**		56,697
Dividend received		**1,321**		–	
Tax paid		**–**		(928)	
Interest paid		**(6,421)**		(4,155)	
			(5,100)		(5,083)
Cash flow from operating activities			**3,594**		51,614

The cash flow statement shows the cash flows from all operations. Note 12 gives an overview of the cash flows from discontinued operations. The comparative figures have not been adjusted due to the application of IFRS 16 Leases with effect from 1 January 2019.

Click here to view the entire table of the Consolidated statement of cash flow.

	Note		2019		2018
Acquisitions	3	**–**		(431)	
Received from sale of business divisions	3	**88,839**		1,371	
Investments in property, plant and equipment	14	**(115,176)**		(149,110)	
Divestments of property, plant and equipment		**52,895**		66,614	
Cash flow from investment activities			**26,558**		(81,556)
Dividends paid		**(19,863)**		(4,256)	
Change in interest-bearing loans	26	**5,051**		33,729	
Repayment of lease obligations	15	**(15,404)**		–	
Cash flow from financing activities			**(30,216)**		29,473
Movement in cash			**(64)**		(469)
Balance of cash and cash equivalents at opening date	18	**747**		1,216	
Balance of cash and cash equivalents at closing date	18	**683**		747	
Movement in cash			**(64)**		(469)

The cash flow statement shows the cash flows from all operations. Note 12 gives an overview of the cash flows from discontinued operations. The comparative figures have not been adjusted due to the application of IFRS 16 Leases with effect from 1 January 2019.

(amounts x € 1,000)

Notes to the consolidated financial statements

1 Accounting principles

General

Stern Groep N.V. has its registered office in Amsterdam and is active in car mobility in the Netherlands.
Stern Groep N.V. is registered in the trade register of the Chamber of Commerce under number 24064937.
The shares of Stern Group NV are listed on NYSE Euronext Amsterdam. The company's core business consists of:

- Dealergroup Stern is engaged in the sale of new and used passenger cars and light commercial vehicles, as well as the provision of maintenance and repair of passenger cars and light commercial vehicles.
- Stern Mobility Solutions is engaged in car rental, fleet management, e-mobility and the sale of financial and other mobility products. The lease operations of SternLease were also part of Stern Mobility Solutions until the end of May 2019.
- Stern Car Services focuses on car body repair services and basic maintenance of passenger cars.

The core businesses are mainly concentrated in the provinces of Noord- and Zuid-Holland, Utrecht and Noord-Brabant.

The Management Board prepared the financial statements on 5 March 2020. The annual financial statements will be submitted for adoption to the General Meeting on 7 May 2020.

Sale of SternLease B.V., the mobility scooter operations and Heron Auto B.V. and principles for valuation at closing date

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 result from discontinued operations (see note 12).

The sale of the mobility scooter operations of Mango Mobility announced on 11 December 2019 was completed on 31 December 2019. The operating result of Mango Mobility until 31 December 2019 and the result on the sale of mobility scooter operations of Mango Mobility are accordingly presented as result from discontinued operations (see note 12).

The sale of Heron Auto B.V. to Broekhuis announced on 9 December 2019 was completed on 2 January 2020. The operating result of Heron Auto B.V. to 31 December 2019 is recognised as profit from continued operations. The assets and liabilities of Heron Auto B.V. are classified on 31 December 2019 as assets and liabilities held for sale.

General policies for preparation of the consolidated financial statements

The consolidated financial statements have been prepared according to the accounting policies of Stern Groep N.V. and according to the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union. The financial statements are denominated in euros. All transactions in the financial year were in euros.

The valuation and the determination of the result are made on the basis of historical cost. Unless otherwise stated under the item concerned, the assets and liabilities are included at historical cost. Income and expenses are allocated to the year to which they relate. Profits are only recognised to the extent that they have been realised on the closing date. Losses and risks originating before the end of the reporting year are included if they are known prior to the preparation of the financial statements. All balances, transactions, income and expenses within the group and profits and losses arising from transactions within the group that are included in the assets have been fully eliminated.

Principles for consolidation and group relationships

The consolidated financial statements include the figures for the company financial statements of Stern Groep N.V. and its group companies over which Stern Groep N.V. exercises control. Control is defined as the power to direct the financial and operational policy of the group companies in order to obtain benefits from their operations. Group companies are consolidated from the date on which decisive control can be exercised. The results of group companies that have been divested are included in the consolidation until the date on which decisive control is no longer exercised. The companies included in the consolidation are shown in the list below, which is prepared according to the organisational structure. The organisational structure differs from the legal structure.

SternFacilitair B.V., Amsterdam

- SternPixel B.V., Hoofddorp
- SternFacilitair MN B.V., Amsterdam
- SternFacilitair SLB B.V., Amsterdam
- Stern Customer Services B.V., Amsterdam
- Falco Auto B.V., Wormerveer
- Stern 8 B.V., Amsterdam
- Stern 9 B.V., Amsterdam
- SternElectric B.V., Amsterdam
- Stald B.V., Amsterdam
- SternExclusief B.V., Purmerend

Dealergroup Stern B.V., Amsterdam

- Stern 1 B.V., Utrecht
  - Stern Auto B.V., Utrecht
- Stern 2 B.V., Eindhoven
  - Arend Auto B.V., Eindhoven
  - Arend Motors B.V., Eindhoven
- Stern 3 B.V., Rotterdam
  - Ardea Auto B.V., Hoofddorp
- Stern 4 B.V., Amsterdam
  - Svala Auto B.V., Haarlem
  - Jager Auto B.V., Purmerend
  - Vireo Auto B.V., Purmerend
- Stern 5 B.V., Purmerend
  - Heron Auto B.V., Purmerend
  - Heron Auto Agenten B.V., Purmerend
  - Durmi Auto B.V., Purmerend
  - Havik Auto B.V., Wormerveer

Stern Mobility Solutions B.V., Purmerend

- SternRent B.V., Purmerend
- SternPartners B.V., Purmerend

Stern Car Services B.V., Purmerend

- SternPoint B.V., Amsterdam
- Flexmo B.V., Wateringen

This list shows the situation at 31 December 2019. The financial data of the group companies are fully recognised in the consolidated financial statements after elimination of intragroup debt relationships and transactions.

Stern Groep N.V. has accepted joint and several liability for the obligations arising from legal actions taken by the companies appearing in the list above (all 100%-owned), in accordance with Part 9, Book 2 of the Dutch Civil Code. Stern Groep N.V. and its subsidiary companies form a fiscal unity for corporate income tax purposes. Under the standard conditions applying to fiscal unities, the participating companies are jointly and severally liable for corporate income tax due.

Group companies are consolidated from the date on which decisive control can be exercised. The results of group companies that have been divested are included in the consolidation until the date on which decisive control is no longer exercised.

Significant accounting judgements and estimates

The most significant assumptions for the future and other key sources of estimation uncertainty at closing date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the following financial year are:

Impairment tests

Stern Groep N.V. determines at least once a year whether goodwill has been subject to impairment. In addition, Stern Groep N.V. determines whether there are indications of impairment or there are onerous activities that could require recognition of an impairment of assets. This involves estimating the value in use of the cash-generating units to which the goodwill is attributed and the loss-making operations. To estimate the value in use, Stern Groep N.V. has to estimate the expected future cash flows of the cash-generating unit and determine a suitable discount rate to calculate the present value of these cash flows. Estimates of future cash flows are based on assumptions with respect to gross margins and developments in operating expenses. These estimates are inherently uncertain, meaning that actual cash flows may vary from the management estimates.
The carrying amount of the goodwill at 31 December 2019 was € 22.1 million (2018: € 30.2 million). For further information, see note 13 Intangible assets.

Deferred tax

To the extent that it is likely that there will be taxable profit against which the losses can be set off, deferred tax credits are recognised for non-deductible tax losses and temporary differences between valuations for commercial and tax purposes. A significant degree of estimation of the probable timing and level of future taxable profits is required by the management to determine the amount of deferred tax assets that can be recognised. The actual taxable profits against which tax loss carry forward balance can be set off may vary from these management estimates.
The carrying amount of the deferred tax asset recognised at 31 December 2019 was € 12.7 million (2018: € 18.1 million). For further information, see note 10 Income taxes.

Residual value analyse

The residual values of the cars made available to customers under operating lease contracts are estimated once a year by the residual value committee. This committee includes employees possessing specific expertise, extensive knowledge of the market and years of experience in the valuation of residual values of cars. This committee also uses information from independent sources such as Autotelex.

Off-balance sheet inventory

For the inventory of new passenger cars and commercial vehicles, an assessment is made to establish whether all the key rights to economic benefits and all major risks have been transferred by the importers to Stern Groep N.V. If these rights and risks have been transferred as of the closing date, Stern Groep N.V. has power of disposal and the passenger cars and commercial vehicles concerned are recognised in the statement of financial position under Inventory (note 18). While the major rights and risks have not yet been transferred to Stern Groep N.V., the passenger cars and commercial vehicles are not recognised in the statement of financial position and are disclosed as contingent liabilities (note 34).

Discontinued operations

A discontinued operation is a division of Stern Group with operations and cash flows that are clearly distinguishable from other operations and meets one of the following criteria:
- It is a separate, significant operation or geographical region.
- It is part of a plan to divest a significant operation or geographical region.
- It concerns the sale of a subsidiary company that is acquired with the intention of resale.

Presentation as discontinued operations occurs on divestment, or as soon as the operation meets the criteria for classification as held for sale, if earlier. The operations of SternLease B.V. and the divested operations of Mango Mobility qualify as discontinued operations in 2019 because they are separate and significant operations that were divested in 2019.

The principles for the valuation of discontinued operations and assets and liabilities held for sale are the same as the principles for valuation of the continued operations.

Summary of the main principles for financial reporting

INTANGIBLE NON-CURRENT ASSETS

Goodwill

Business combinations are recognised using the acquisition method. The cost of an acquisition is determined as the total of the payment transferred (the fair value on the acquisition date) and the amount of any minority interest in the acquired party. For each business combination, Stern Groep N.V. values the minority interest in the acquired party at either fair value or a proportion of the net assets of the acquired party. Costs relating to the acquisition are charged directly to the statement of income. If Stern Groep N.V. acquires a company, it assesses the financial assets and liabilities acquired for the purpose of correct classification and identification of mainly intangible assets, in accordance with the contractual conditions, the economic circumstances and other relevant circumstances. This also concerns, if necessary, the separation of derivatives contractually entered into by the acquired party.

If the business combination is realised in various phases, the fair value of the interest previously held by Stern Groep N.V. in the acquired party is recalculated as at the acquisition date with changes in value recognised in the statement of income.
Any contingent payments transferred by Stern Groep N.V. are recognised at fair value on the acquisition date. Subsequent changes in the fair value of the contingent payment classified as an asset or a liability are, in accordance with IFRS 9, recognised either in the statement of income or as a change in other comprehensive income. If the contingent payment is classified as equity, revaluation is only effected on definitive settlement in equity.

Goodwill is initially measured at cost, that is the amount by which the payment transferred exceeds the net value of the assets and liabilities acquired. If this payment is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised in the statement of income.

After initial recognition goodwill is measured at cost, less any accumulated impairments. For the purpose of impairment testing, from the acquisition date the goodwill arising from a business combination is attributed to the cash-generating units that are expected to benefit from the business combination, regardless of whether assets or liabilities of the acquired entity are attributed to these units.
If goodwill is part of a cash-generating unit and a part of the business operation within this unit is divested, the goodwill relating to the divested operation is included in the carrying amount of this operation for the purpose of establishing the result arising from the divestment. Goodwill divested in such circumstances is calculated on the basis of the relative proportion of the value of the divested operation and the part of the cash-generating unit that is retained.

Licences

Licences for the operation of fuel sales, with the associated entitlement to the operating results, that are acquired separately are initially recognised at cost. Licences acquired with a business combination are recognised as such and carried at fair value on the acquisition date. Subsequently, licences are carried at cost less cumulative amortisation and any cumulative impairment. Licences are determined as having either a limited or an indefinite useful life. Licences with a limited useful life are amortised over the period of use, taking account of residual value, and tested for impairment annually.
The amortisation period and method for a licence with a limited useful life is assessed at least at the end of each financial year. Changes in the expected useful life or in the expected pattern of the future economic benefits from the asset are recognised by means of a change to the amortisation period or method and treated as a changed estimate.
The amortisation expense on intangible non-current assets with a limited useful life is recognised in the statement of income in the cost category appropriate to the intangible asset. Licences with an indefinite useful life are not amortised, and are tested annually for impairment.

DEPRECIATION OF TANGIBLE NON-CURRENT ASSETS

Property, plant and equipment

Property, plant and equipment is carried at cost, excluding the costs of daily maintenance, after deduction of cumulative depreciation and cumulative impairments.
This cost also includes the costs of replacing parts of property, plant or equipment if these costs meet the criteria for recognition in the statement of financial position. Depreciation is applied on a straight-line basis based on the useful life of the asset in question.
The carrying amounts of property, plant and equipment are tested for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairments are charged to the statement of income.
A reversal of an impairment is credited to the statement of income up to the carrying amount that would have been determined if no impairment of the asset had been recognised in previous years.
An item of property, plant and equipment is derecognised in the statement of financial position in case of divestment or if no future economic benefits are expected to be realised from its use. Any gain or loss arising from the derecognition of the asset in the statement of financial position is recognised in the statement of income during the year in which the asset is derecognised in the statement of financial position. The residual value of the asset and its useful life are assessed annually and adjusted if necessary at year-end.
Reclassification to investment property is only effected if there is a change in use as evidenced by termination of own use, the commencement of an operating lease with another party or completion of construction or redevelopment activities.

Assets in production

Assets in production for own use are measured at the direct costs incurred as at closing date, plus directly related financing costs and less any impairment. The financing costs are attributed to the carrying amount of the asset in production until the asset in question is ready for use.
The interest rate is determined as the interest rate the company pays on its short-term finance (Euribor plus a spread).

Operating lease cars

This item concerns cars leased under operating lease contracts. Operating lease cars are leased under contracts whereby virtually all the risks and benefits of ownership remain with Stern Groep N.V.
Depending on their nature, the assets in question are recognised by Stern Groep N.V. as operating lease cars under property, plant and equipment in the statement of financial position. Operating lease cars are carried at cost after deduction of cumulative depreciation and any cumulative impairments. The assets are depreciated over the useful life to the expected residual value. The depreciation expenses are recognised in the statement of income under cost of sales. The residual value of the asset is assessed annually and adjusted if necessary at year end.

The cost of operating lease cars consists of the purchase price and any directly attributable expenses in connection with preparation of the asset in question for the intended use. Any trade discounts are deducted when calculating the purchase price.

Losses arising from impairments are usually due to a negative development in the estimated residual value of the lease cars. An assessment is made at the closing date to establish whether there are indications of impairment. If such indications exist, the asset's recoverable value is estimated. Impairments are recognised if the carrying amount of the operating lease asset exceeds the recoverable value.
The recoverable value is defined as the fair value less the costs of sale or the value in use of the asset, whichever is the higher. The value in use is the expected sale result on disposal of the item and other estimated future cash flows that can be attributed to the item. Impairments are recognised directly in the statement of income under cost of sales.

Rental cars

The cost of cars held for rental consists of the purchase price plus any directly attributable costs for bringing the rental cars up to the desired level of operation. Trade discounts are deducted in the calculation of the purchase price. Volume discounts are depreciated over the useful life of the asset. Rental cars are recognised at cost after deduction of cumulative depreciation and any cumulative impairments. Depreciation is applied to rental cars on a straight-line basis over the useful life to the expected residual value.

The depreciation expenses are recognised under cost of sales. Impairments are usually due to a negative development of the residual value of the rental cars. An assessment is made at the closing date to establish whether there are indications of impairment. If such indications exist, the asset's recoverable value is estimated. Impairments are recognised in the statement of income under cost of sales at such time and to the extent that the carrying amount of the rental cars exceeds their recoverable value.

Lease assets

The user rights for leased assets, mainly leased premises and lease cars, with a value greater than € 5,000 and a term of more than one year are capitalised in the statement of financial position. At the start of the lease contract, the initial valuation of the user right is equal to the present value of the future lease obligation, taking account of initial direct costs and lease payments made prior to the start date of the lease contract. The marginal interest rate is used to calculate the present value of the lease commitments in 2019. This is the interest rate that Stern would have to pay for a loan for a comparable asset with a similar term to maturity, collateral and under similar economic circumstances. After initial recognition of lease assets, the cost price is recognised less cumulative depreciation, impairments and is adjusted for the revaluation of the lease commitments. Depreciation is applied to the lease assets on a straight-line basis over the useful life of the assets.

FINANCIAL ASSETS

Other financial assets

Investments in equity instruments are measured at fair value. The resulting changes in value are recognised in the statement of income.

IMPAIRMENT OF ASSETS

Impairment of assets

Stern Groep N.V. assesses whether there are indications that an asset has been subject to impairment at least at the reporting date. If such indications exist, or if the annual test for impairment of an asset is required, Stern Groep N.V. estimates the recoverable value of the asset.
An asset's recoverable value is the fair value of the asset or cash-generating unit after deduction of costs of sale or the value in use, whichever is the higher. If the carrying amount of an asset is higher than its recoverable value, the asset is considered to be subject to impairment and will be written down to its recoverable value. The determination of the value in use consists of calculating the present value of the estimated future cash flows, with application of a discount rate after tax that takes account of the current market assessments of the time value of money and the specific risks of the asset. Impairments of continued business operations are recognised in the statement of income in the cost category corresponding to the asset in question.
At each reporting date, there is an assessment of whether there are indications that a previously recognised impairment no longer exists or has been reduced. If such indication exists, the recoverable value is estimated. A previously recognised loss due to impairment is only reversed if a change has occurred in the estimate that was used to determine the asset's recoverable value since the recognition of the most recent impairment. If this is the case, the carrying amount of the asset is increased to its recoverable value. This increased amount may not be higher than the carrying amount that would have been determined (after deduction of depreciation) if no impairment of the asset had been recognised in previous years. Such reversals are recognised in the result. After such a reversal, the depreciation expense is adjusted in order that the revised carrying amount of the asset (after deduction of any residual value) is systematically attributed to future periods over the remaining useful life. Impairments in relation to goodwill are not reversed.

CURRENT ASSETS

Inventory
Inventory is carried at the cost of acquisition or the recoverable value if lower. The market value of the inventory of used passenger cars and commercial vehicles is the directly realisable proceeds on sale. The acquisition price of the inventory of used and new passenger cars that are subject to purchase tax on private motor vehicles and motorcycles (Belasting Personenauto's en Motorrijwielen, or "BPM"), excludes BPM for passenger cars without vehicle registration certificates and includes BPM for passenger cars with vehicle registration certificates.

Margin cars are used cars for which the value-added tax (VAT) can no longer be reclaimed on purchase by Stern Groep N.V.
For sales of margin cars, VAT is due only on the realised margin. The measurement of the inventory of margin cars takes account of the associated deferred VAT liability. This means that the deferred VAT liability is deducted from the carrying amount of the inventory of used passenger cars, taking account of the sale margin included in the inventory.

Cars with a repurchase commitment
Based on the specific provisions of IFRS 15 Revenue from contracts with customers regarding repurchase agreements, the full revenue for these sale transactions are not recognised directly. Under IFRS 15, these transactions are recognised as operating leases whereby the cars remain in inventory in the statement of financial position (see note 18) with the associated repurchase obligations under current liabilities (see note 30). The leasing revenue and depreciation expenses are recognised in the statement of income.

Trade receivables, other receivables, prepayments and accrued income
Trade and other receivables are initially recognised at fair value and subsequently at amortised cost, using the effective interest method and after deduction of the provision for uncollectibility.
A provision for uncollectible debt is formed for the expected credit losses.
The contribution to the reserve is recognised in the statement of income.

Cash and cash equivalents
Cash and cash equivalents concern freely available credits at banks and cash in hand.

LIABILITIES

Provisions
A provision is recognised if (i) Stern Groep N.V. has a present obligation (contractual or actual) as a result of a past event; (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (iii) a reliable estimate can be made of the amount of the obligation. If Stern Groep N.V. expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset only when reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted at a rate before tax that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a financial expense. Under IAS 19, a provision for future jubilee payments has to be included. This provision is formed during the course of the employment of an employee. The provision is included at present value using the projected unit credit method, with actuarial results being recognised directly in the statement of income.

Pensions and other arrangements for severance payments
The pensions of virtually all the employees of Stern Groep N.V. are placed with the Occupational Pension Fund for the Metal and Technology Industry (Pensioenfonds Metaal en Techniek, or PMT). This pension scheme qualifies as a defined benefit scheme, under which the pension benefit is based on the length of service and the average salary of the employee during that service. The balance of the assets and liabilities relating to the scheme must be recognised in the statement of financial position as a receivable or an obligation. The PMT has stated that it is not able to provide the information to participating companies that is required for defined benefit pension schemes under IAS 19. There is moreover no contractual agreement between the PMT and Stern Groep N.V. stating that shortfalls have to be made up by Stern Groep N.V. For this reason, the scheme is treated as a defined contribution scheme and the pension contributions due over the financial year are recognised as pension expense in the result.

The employees who do not have their pension scheme with the PMT have their pensions with Nationale Nederlanden N.V. This pension scheme is a defined contribution scheme.

Advance receipts from warranties

Advance receipts from warranties for used cars sold concern payments for services to be provided under warranty after the closing date. Income from the sale of warranty products rental is recognised on a straight-line basis over the warranty period.

Interest-bearing loans

All loans are carried on initial recognition at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans are subsequently carried at amortised cost calculated using the effective interest method. Gains and losses are recognised in the result after tax once the loans and receivables are derecognised or impaired.

Lease commitments

The lease commitments for leased assets, mainly leased premises and lease cars, with a value greater than € 5,000 and a term of more than one year are capitalised in the statement of financial position. The initial valuation of the lease commitment on the start date of the lease contract is equal to the present value of the future lease commitment. The marginal interest rate is used to calculate the present value of the lease commitments in 2019. This is the interest rate that Stern would have to pay for a loan for a comparable asset with a similar term to maturity, collateral and under similar economic circumstances. After initial recognition, lease commitments are subsequently carried at amortised cost calculated using the effective interest method.

The lease commitments are adjusted if there is a modification of the lease contract or a change to the lease conditions or the fixed lease payments. The determination of the lease obligation takes account of options to extend or purchase if it is reasonably certain that these options will be exercised. The determination of the lease obligation does not take account of options to terminate if it is reasonably certain that these options will not be exercised.

Tax payable and available for set-off

This item concerns tax payable and tax receivable and income tax available for set-off that can be settled for current and prior years, carried at the amount expected to be claimed from or paid to the Dutch tax authorities. The tax amount is computed on the basis of applicable tax law.

Deferred tax

A provision is formed for deferred tax liabilities based on the temporary differences at closing date between the tax base of assets and liabilities and their carrying amounts in these financial statements. Deferred tax assets are recognised for all deductible temporary differences, unused tax facilities and unused tax loss carry-forwards to the extent that it is probable that taxable profits will be available against which the deferred tax asset can be utilised, enabling the deductible temporary differences, unused tax facilities and unused tax loss carryforwards to be used.

The carrying amount of the deferred tax assets is assessed at the closing date and reduced to the extent that it is not probable that sufficient taxable profits will be available against which some or all of the deferred tax asset can be utilised. Unrecognised deferred tax assets are assessed at the closing date and recognised to the extent that it is probable that taxable profits will be available in the future against which the deferred tax asset can be utilised. Deferred tax assets and liabilities are carried at amounts measured at the tax rates expected to be applicable to the period in which the asset is realised or the liability is settled, based on applicable tax law. The tax on items recognised directly in equity is accounted for directly in equity. Deferred tax assets and liabilities are presented as a net amount if there is a legally enforceableright to set off deferred tax assets against deferred tax liabilities and the deferred tax is related to the same taxable entity and the same tax authority.

Trade and other payables and other liabilities

Trade and other payables and other liabilities are initially recognised in the statement of financial position at fair value, and are subsequently carried at amortised cost. Given their usually short term to maturity, the fair value and amortised cost of these items is generally more or less equal to their nominal value.

Financial instruments

Financial assets

Financial assets are initially recognised at fair value and classified in one of the following valuation categories:

- Amortised cost
- Fair value with changes in value recognised in the statement of income
- Fair value with changes in value recognised in equity

The classification of financial assets depends on the contractual cash flows of an asset and the manner in which Stern Group manages these cash flows. Management of cash flows may be by collection of the contractual cash flows (repayment and interest), but also by means of the sale of financial assets. For a description of the measurement of specific financial assets, see the accounting policies for the individual assets.

Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently at amortised cost. For a description of the measurement of specific financial liabilities, see the accounting policies for the individual liabilities.

Derivatives and hedge accounting

Hedging is applied to cover the risk of possible variability of cash flows in connection with interest payments, with hedge accounting applied where possible. Stern Groep N.V. formally designates and documents the hedge relationship on conclusion of a hedging transaction, as well as the purpose and policy of Stern Groep N.V. with respect to the management of financial risks when entering into the hedge relationship. Cash flow hedges that comply with the strict conditions for hedge accounting are recognised as follows:

The part of the gain or loss on the hedge instrument for which it has been established that an effective hedge exists is recognised taking account of the tax effect outside the statement of income in other comprehensive income. The non-effective part is recognised in the statement of income. The amounts recognised in equity are transferred to the statement of income in the same period in which the hedged income or expense is recognised or the expected sale or purchase is effected. Recognition is made under financial income and expenses. If the expected transaction is subsequently not expected to take place, the amounts that were first included in equity are transferred to the result. If the hedge instrument expires, is sold, terminated, exercised (without replacement or roll-over) or if the classification as a hedge is withdrawn, the amounts initially recognised in equity remain in equity until the expected transaction is effected. If the transaction in question is not expected to occur, the amount is charged to the statement of income.

Principles for determination of the result

Net revenue

The item net revenue includes the income from goods and services supplied in the financial year (excluding BPM and VAT) after deduction of discounts and payments for service costs. Net revenue is recognised if Stern has fulfilled a performance obligation. A performance obligation exists once Stern has concluded a contract with a customer for the delivery of a product or service at an agreed price. The main revenue flows and performance obligations from contracts with customers are:

Revenue flow	Performance obligation	Timing of performance and revenue recognition	Sub-flows (Note 4 Net Revenue)
Sale of vehicles	Delivery of vehicle (transfer of ownership/ power of disposal)	Revenue is recognised in full on delivery of the vehicle.	New passenger cars New light commercial vehicles Used passenger cars and light commercial vehicles
Sale of parts	Delivery of vehicle (transfer of ownership/ power of disposal)	Revenue is recognised in full on delivery of the parts.	Warehouses
Workshops	Performance of repairs and maintenance	Revenue is recognised in full on completion of the work. If the outstanding work orders are material, these are valued as work in progress in inventory *(overtime)*.	Workshops
Car body repair services	Performance of car body repair services	Revenue is recognised in full on completion of the work. If the outstanding work orders are material, these are valued as work in progress in inventory *(overtime)*.	Car body repair services
Light commercial vehicle interiors	Fitting of light commercial vehicle interiors	Revenue is recognised in full on completion of the work. If the outstanding work orders are material, these are valued as work in progress in inventory *(overtime)*.	Light commercial vehicle interiors

Income from car rental is recognised on a linear basis over the rental period. Income from leasing is recognised on a linear basis over the agreed lease period. For fleet management, the income is recognised on a linear basis over the contract term, taking account of historical statistical and projected maintenance costs. Income from the operation of fuel stations is recognised on the date that the goods are supplied to third parties.

The commission income for the finance is recognised on the date that the loan is provided. Regarding the insurance activities, the commission income is recognised on the date that the premium is paid by the end customer. Commission income is recognised under gross profit from the sale of vehicles.

Cost of sales

The item cost of sales consists of the costs directly associated with the delivery of goods and services (excluding BPM), other than employee expenses, interest expenses and the depreciation expenses relating to the rental activities.

Other income

Other income is recognised in the statement of income as soon as the services in question are provided or the rights to the economic benefits and power of disposal in relation to the non-current assets are transferred to the purchaser. Income from sales of subsidiaries or interests in subsidiaries is recognised when ownership is transferred.

Result from participating interests

The share in the result of non-consolidated participating interests attributable to Stern Groep N.V. is recognised under result from participating interests. This result is determined on the basis of the principles applied by Stern Groep N.V. for valuation and result determination. The result from participating interests also includes the difference between the proceeds realised from the sale of a participating interest and the carrying amount at the time of the sale.

Income taxes

Income taxes consist of current and deferred tax. Current tax concerns the expected tax payable on the taxable profit in the financial year on the basis of prevailing tax rates. Deferred tax is recognised for temporary differences between the valuation of assets, liabilities and deductible losses for commercial purposes and their valuation for tax purposes. Deferred tax is calculated on the basis of established tax rates and regulation that are expected to apply at the time the deferred tax asset or liability is realised. Deferred tax assets are only recognised if it is expected that sufficient future profit for tax purposes will be available against which the temporary differences and available tax-deductible losses can be realised.

Principles for the preparation of the consolidated statement of cash flow

The cash flow statement is prepared using the indirect method. Receipts and payments arising from interest and corporate income tax and dividends received from non-consolidated participating interests are included under cash flow from operating activities. Dividends paid are recognised under cash flow from financing activities. The price paid to acquire participating interests is recognised under cash flow from investment activities. The repayment of interest-bearing loans concerns the net position. The repayment of lease commitments is recognised under cash flow from financing activities. Transactions not involving an exchange of cash are not included in the statement of cash flow.

Changes to IFRS

The IASB regularly publishes new accounting standards, changes to existing standards and interpretations. These new accounting standards, changes to existing standards and interpretations subsequently have to be adopted by the European Union. Stern Group has applied new and amended IFRS standards and IFRIC interpretations in 2019, if applicable. Apart from the following disclosure with respect to IFRS 16 Leases, the application of other new and amended standards and interpretations in 2019 had no material effect on the assets, the profit and the notes to the financial statements.

IFRS 16 Leases is the new standard for leases that applies with effect from 1 January 2019. 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 31/12/2019 and the composition of the result of Stern Groep N.V. in 2019. The user rights (lease assets) and the present value of the lease commitments 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. IFRS 16 Leases is applied using the limited retrospective method. The cumulative effect of IFRS 16 was recognised in equity on 1 January 2019. The user right (lease assets) is measured on 1 January 2019 at the carrying amount that would have been obtained if IFRS 16 had always been applied. The lease obligation at 1 January 2019 is measured at the present value of the remaining lease payments. The future lease payments were discounted on 1 January 2019 at a marginal interest rate of 2.75%.

Stern has chosen to apply a number of practical expedients in IFRS 16. Lease contracts with a term of less than one year and lease assets with a value of less than € 5,000 are not capitalised. In the transition to IFRS 16, one discount rate of 2.75% is applied to the portfolio of current lease contracts.

The difference between the lease commitments under IFRS 16 of € 134.5 million and the rental obligations not shown in the statement of financial position in the 2018 financial statements of € 148.9 million are virtually fully due to the fact that the rental obligations not shown in the statement of financial position were not discounted in the 2018 financial statements and the lease commitments under IFRS 16 in the 2019 financial statements have been discounted.

The impact of IFRS 16 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	–	129,063	**129,063**
Deferred tax assets	18,073	1,118	**19,191**
Total assets	675,404	130,181	**805,585**
Liabilities			
Equity	155,161	(4,335)	**150,826**
Lease commitments (non-current)	–	114,782	**114,782**
Lease commitments (current)	–	19,734	**19,734**
Total liabilities	675,404	130,181	**805,585**

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

	2019 Excluding IFRS 16	Impact IFRS 16	2019 Including IFRS 16
Continued operations			
Net revenue	989,335	–	989,335
Cost of sales	(816,510)	–	(816,510)
Gross profit	172,825	–	172,825
Other income	6,672	–	6,672
Employee expenses	(115,635)	–	(115,635)
Amortisation of intangible assets	(59)	–	(59)
Depreciation of property, plant and equipment	(8,898)	(15,928)	(24,826)
Other operating expenses	(55,004)	18,756	(36,248)
Operating profit (EBIT)	(99)	2,828	2,729
Result from associates	131	–	131
Financial income and expenses	(3,688)	(3,377)	(7,065)
Profit before tax	(3,656)	(549)	(4,205)
Income taxes	2,822	184	3,006
Profit (loss) from continued operations	(834)	(365)	(1,199)
Discontinued operations			
Profit from discontinued operations	22,576	–	22,576
Profit after tax	21,742	(365)	21,377

Recent publications (IFRS)

The new and amended IFRS standards and interpretations that did not yet apply in 2019 have not been applied early. Our estimate is that new and amended IFRS standards and interpretations that have been published but will not apply until after 2019 will have no material effect on the assets, profit and notes in the financial statements.

2 Segmental analysis

The segments within Stern Groep N.V. are distinguished chiefly according to the different products and services they provide. The segments are separately organised and managed according to the nature of their products and services, whereby each segment represents a strategic business unit that supplies different products and serves different markets. This classification corresponds to the internal reporting structure of Stern Groep N.V. Stern generates virtually all its revenue in the Netherlands.

Internal settlement prices between the operating segments are set on a commercial basis in a manner that is similar to that used for transactions with third parties. The revenue per segment also consists of the mutual transactions between the operating segments that are eliminated on consolidation.

The reported segments of Stern Groep N.V. are Dealergroup Stern, Stern Mobility Solutions, Stern Car Services and Other. Dealergroup Stern is engaged in the sale of new and used passenger cars and light commercial vehicles, as well as the provision of maintenance and repair of passenger cars and light commercial vehicles. Stern Mobility Solutions is engaged in car rental. Stern Car Services focuses on car body repair services, light commercial vehicle interiors and basic maintenance of passenger cars. The Other segment concerns the holding companies and other activities. The assets and liabilities in the following table in the column ‘held for sale’ concern the assets and liabilities of Heron Auto B.V., with the results recognised in the statement of income in profit from continued operations.

2019 financial year

	Dealergroup Stern	Stern Mobility Solutions	Stern Car Services	Other	Held for sale	Total
Statement of financial position						
Total assets according to the statement of financial position	375,568	57,191	11,951	87,099	41,610	573,419
Total liabilities according to the statement of financial position	309,299	44,445	9,347	23,944	33,745	420,780
Investments in property, plant and equipment	4,046	88,180	1,510	21,440		115,176

	Dealergroup Stern	Stern Mobility Solutions	Stern Car Services	Other	Eliminations	Total
Statement of income						
Net revenue	936,474	24,165	28,696	–	–	989,335
Revenue to segments	74,620	30,215	6,353	–	(111,188)	–
	1,011,094	54,380	35,049	–	(111,188)	989,335
Amortisation of intangible assets	–	–	–	(59)	–	(59)
Depreciation of property, plant and equipment	(3,057)	(9,260)	(698)	(5,081)	–	(18,096)
Depreciation of lease assets	(15,928)	–	–	–	–	(15,928)
Operating profit (EBIT)	5,533	634	213	(3,651)	–	2,729
Result from associates						131
Financial income and expenses						(7,065)
Profit/(loss) before tax						(4,205)
Income taxes						3,006
Profit (loss) from continued operations						(1,199)
Discontinued operations						
Profit from discontinued operations						22,576
Profit after tax						21,377

2018 financial year

	Dealergroup Stern	Stern Mobility Solutions*	Stern Car Services	Other	Held for sale	Total
Statement of financial position						
Total assets according to the statement of financial position	300,779	299,848	8,126	66,651	–	675,404
Total associates	–	1,164	–	–	–	1,164
Total liabilities according to the statement of financial position	219,042	236,878	6,970	57,353	–	520,243
Investments in property, plant and equipment	3,228	136,206	986	8,404	–	148,824

	Dealergroup Stern	Stern Mobility Solutions*	Stern Car Services	Other	Eliminations	Total
Statement of income						
Net revenue	939,875	22,378	26,453	–	–	988,706
Revenue to segments	100,309	23,295	8,626	–	(132,230)	–
	1,040,184	45,673	35,079	–	(132,230)	988,706
Amortisation of intangible assets	–	–	–	(59)	–	(59)
Depreciation of property, plant and equipment	(3,254)	(8,787)	(619)	(3,515)	–	(16,175)
Depreciation of lease assets	–	–	–	–	–	–
Operating profit (EBIT)	3,239	235	(665)	(4,372)	–	(1,563)
Result from associates						172
Financial income and expenses						(4,271)
Profit/(loss) before tax						(5,662)
Income taxes						1,656
Profit (loss) from continued operations						(4,006)
Discontinued operations						
Profit from discontinued operations						4,492
Profit after tax						486

* The assets and liabilities of Stern Mobility Solutions at 31 December 2018 include the assets of liabilities of SternLease B.V. and the operations of Mango Mobility, which were sold in 2019. The 2018 results of SternLease B.V. and the operations of Mango Mobility are presented as profit from discontinued operations in the above statement of income for 2018.

3 Business combinations and divestments

No acquisitions were effected in 2019, and the following activities were divested:

		Number branches
SternLease B.V., Purmerend	Sold on 31/05/2019	**(1)**
Mango Mobility – mobility scooter operations, Purmerend	Sold on 31/12/2019	**(5)**
		(6)

Divestments in 2019

The assets and liabilities involved in the divestments and the sums received are shown below:

	Carrying amount on sale
Goodwill involved in sale	**8,117**
Property, plant and equipment	**231,170**
Inventory	**2,185**
Other receivables	**26,777**
Interest-bearing loans	**(195,093)**
Other obligations	**(15,735)**
Net identified assets and liabilities	**57,421**
Acquisition price	**90,039**
Result on sale	**32,618**
Less: cost of sale	**(2,820)**
Result on sale before tax	**29,798**
Less: tax	**(8,106)**
Net book profit	**21,692**

€ 1.4 million of the acquisition price of € 90.0 million in the above table relates to the sale of the mobility scooter operations of Mango Mobility. Under the sale agreement, € 1.2 million of this amount will be paid in instalments after 31 December 2019.

The following activities were acquired or divested in 2018:

		Number branches
Vink & Evag Autobedrijven B.V., Schiedam	Acquired on 01/03/2018	1
Arend Auto Amsterdam	Sold on 22/08/2018	(2)
		(1)

Acquisitions in 2018

The fair values as at the acquisition dates of the assets and liabilities of activities acquired in 2018 are as follows:

	Fair value recognised on acquisition
Property, plant and equipment	215
Inventory	131
Other liabilities	(44)
Net identified assets and liabilities	302
Goodwill	129
Acquisition price	(431)
Less: cash and cash equivalents obtained	–
Net cash flow	(431)

The result before tax of the activity acquired from the date of acquisition in 2018 was € 0.1 million and the revenue was € 0.7 million.

Divestments in 2018

The assets and liabilities involved in the divestments and the sums received are shown below:

	Carrying amount on sale
Property, plant and equipment	11
Inventory	684
Other liabilities	(74)
Net identified assets and liabilities	621
Result on sale	750
Acquisition price	1,371
Less: cash and cash equivalents divested	–
Net cash flow	1,371

4 Net revenue

	2019	2018
New passenger cars	**442,938**	482,367
New light commercial vehicles	**174,808**	154,380
Used passenger cars and light commercial vehicles	**257,391**	272,916
Workshops	**88,662**	89,870
Warehouses	**111,218**	113,056
Revenue Dealergroup Stern	**1,075,017**	1,112,589
Fleet under management	**157**	410
Rental	**54,490**	45,548
Revenue Stern Mobility Solutions	**54,647**	45,958
Car body repair services	**31,294**	31,626
Light commercial vehicle interiors	**4,090**	3,918
Revenue Stern Car Services	**35,384**	35,544
Other	**–**	–
Gross revenue	**1,165,048**	1,194,091
Elimination of internal revenue*	**(64,525)**	(73,155)
Revenue before IC elimination	**1,100,523**	1,120,936
Elimination of IC revenue	**(111,188)**	(132,230)
Net revenue	**989,335**	988,706

* The elimination of internal revenue concerns mainly the recharging of internal revenue by the workshops to the sales departments for new and used cars.

5 Cost of sales

	2019	2018
Costs of trade goods, raw materials and consumables	**(798,435)**	(794,882)
Costs of work outsourced to third parties	**(8,016)**	(7,997)
Interest expense for financing of rental cars	**(860)**	(723)
Depreciation expense for rental cars	**(9,199)**	(8,705)
Cost of sales	**(816,510)**	(812,307)

6 Other income

Other income in 2019 includes rental income of € 3.4 million, dividend received, the revaluation of the interest in Bovemij Verzekeringsgroep N.V of € 0.3 million, a book gain of € 1.0 million on the sale of four premises and a book gain of € 0.9 million on the sale of business divisions. Other income for the segment Dealergroup Stern was € 1.5 million, for the segment Stern Car Services € 0.1 million and for the Other segment € 5.1 million. Other income in 2018 included rental income of € 1.9 million, dividend received, the revaluation of the interest in Bovemij Verzekeringsgroep N.V of € 1.2 million, a book gain of € 2.1 million on the sale of four premises and a book gain of € 0.8 million on the sale of business divisions.

7 Employee expenses

	2019	2018
Salaries	**(81,936)**	(83,915)
Social security contributions	**(13,980)**	(14,022)
Pension costs	**(8,389)**	(8,702)
Restructuring costs	**(2,572)**	(1,750)
Other employee expenses	**(8,757)**	(11,482)
Total	**(115,635)**	(119,871)

Other employee expenses include the hiring of temporary personnel and car costs.

	2019		2018	
	Number	In FTEs	Number	In FTEs
Dealergroup Stern	**1,572**	**1,451**	1,731	1,570
Stern Mobility Solutions	**98**	**90**	93	85
Stern Car Services	**261**	**253**	278	264
Other	**73**	**64**	78	67
	2,004	**1,858**	2,180	1,986

8 Other operating expenses

	2019	2018
General expenses	**(18,707)**	(21,669)
ICT costs	**(4,105)**	(4,264)
Accommodation costs	**(8,402)**	(27,425)
Selling expenses	**(4,243)**	(4,942)
Restructuring costs	**(791)**	–
Total	**(36,248)**	(58,300)

The auditor's fee is recognised under General expenses. The auditor's fee is as follows:

	2019	2018
Audit of the financial statements	**(790)**	(553)
Other services	**(40)**	(40)
Total	**(830)**	(593)

These expenses concern the expenses estimated for the financial year, as well as additional work in previous years.

9 Financial income and expenses

	2019	2018
Interest expense on loans	**(3,688)**	(4,271)
Interest expense for lease commitments	**(3,377)**	–
Total	**(7,065)**	(4,271)

10 Income taxes

	2019	2018
Profit/(loss) before tax	**(4,205)**	(5,662)
Less: Result from participating interests	**(432)**	(1,220)
Less: Deductible costs	**(3,569)**	–
Plus: Deductible costs subject to limitation	**300**	260
Derived commercial profit	**(7,906)**	(6,622)
Tax at 25%	**1,977**	1,656
Change in deferred tax	**238**	–
Other changes	**791**	–
Tax according to the consolidated statement of income	**3,006**	1,656
Effective tax rate (in % of the profit before tax)	**71%**	29%
Standard tax rate	**25%**	25%

The presentation of the deferred tax assets is based on the development of each relevant item in the financial statements as follows. The development of the deferred tax assets is as follows:

	Intangible assets	Other assets	Provisions and liabilities	Tax loss carry-forwards	Total
Balance at 1 January 2018	17,846	387	488	1,567	20,288
Income taxes in result	(4,263)	276	(206)	1,839	(2,354)
Other changes	–	–	139	–	139
Movements in 2018 financial year	(4,263)	276	(67)	1,839	(2,215)
Balance at 31 December 2018	13,583	663	421	3,406	18,073
Impact IFRS 16 Leases	**–**	**1,118**	**–**	**–**	**1,118**
Income taxes in result	**–**	**410**	**(172)**	**1,977**	**2,215**
Tax in profit from discontinued operations	**(13,583)**	**(350)**	**(143)**	**5,731**	**(8,345)**
Other changes	**–**	**200**	**–**	**(558)**	**(358)**
Assets held for sale	**–**	**–**	**(33)**	**–**	**(33)**
Movements in 2019 financial year	**(13,583)**	**1,378**	**(348)**	**7,150**	**(5,403)**
Balance at 31 December 2019	**–**	**2,041**	**73**	**10,556**	**12,670**

Stern Groep N.V. is a fiscal unity for corporate income tax purposes with its subsidiaries, which together form part of a separate fiscal unity.

Agreement was reached regarding the sale of the shares in SternLease B.V. on 1 March 2019. The shares will be sold on 31 May 2019. The buyer has not purchased the goodwill for tax purposes, and this will remain at Stern Leasing N.V. and will be written down against the profit in 2019. At the time of sale of the shares in SternLease B.V. the goodwill for tax purposes was approximately € 65.0 million, resulting in a tax charge in 2019 of approximately € 13.6 million. An advance tax ruling agreement was agreed with the Dutch tax authorities in February 2019 whereby Stern Leasing N.V. would be liquidated in 2019 and a liquidation loss of € 20.0 million could be recognised. This liquidation loss of € 20.0 million in 2019 is measured at the effective rate of corporate income tax that is expected to apply at the time of actual realisation, which is 21.7%, resulting in a sum of € 4.3 million. The net corporate income tax expense in 2019 on the sale of the shares in SternLease B.V. is thus € 8.1 million. After the liquidation of SternLeasing N.V. in October 2019, the liquidation loss of € 20.0 million will accrue to the Stern Group fiscal unity.

The total tax loss carry-forwards of the fiscal unity Stern Groep N.V. that are fully taken into account in the measurement of the deferred tax asset at 31 December 2019 are € 47.7 million (2018: € 14.7 million) and are deductible from profits of the fiscal unity until year-end 2027.
€ 6.7 million of tax loss carry-forwards will expire at year-end 2021. The corresponding deferred tax asset at 31 December 2019 amounts to € 10.6 million (2018: € 3.2 million). No tax planning is expected to be needed for the realisation of these tax loss carry forward balances.

Of the deferred tax asset recognised at 31 December 2019 due to losses carried forward, approximately € 1.8 million has a term to maturity of less than one year (2018: nil).
In addition to the possibility of losses carried forward, at 31 December 2019 Stern Groep N.V. had temporary differences between commercial valuations and valuations for tax purposes of assets and liabilities amounting to € 11.6 million negative (2018: € 5.1 million negative). € 2.1 million of these differences was valued and recognised (after netting off) at 31 December 2019 under the deferred tax asset (2018: € 1.1 million).

11 Results per share

Earnings per share is calculated by dividing the profit after tax attributable to the shareholders in Stern Groep N.V. by the weighted average number of outstanding shares during the year. The data relating to profit and shares used in the calculation of the earnings per share are presented in the following overview:

	2019	2018
Profit/ (loss) from continued operations	**(1,199)**	(4,006)
Profit from discontinued operations	**22,576**	4,492
Total profit	**21,377**	486
Weighted average number of outstanding shares	**5,675,000**	5,675,000
Earnings per share from continued operations	**€ (0.21)**	€ (0.71)
Earnings per share from discontinued operations	**€ 3.98**	€ 0.79
Total earnings per share*	**€ 3.77**	€ 0.09

* There are no instruments that can lead to dilution.

12 Discontinued operations

The profit from discontinued operations consists of:

	2019	2018
Operating profit SternLease B.V.	**4,283**	10,306
Operating profit/(loss) Mango Mobility	**(3,160)**	(1,234)
Profit from sale of SternLease B.V. and the activities of Mango Mobility	**29,798**	–
Profit before tax	**30,921**	9,072
Income taxes	**(8,345)**	(4,580)
Profit from discontinued operations	**22,576**	4,492

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

	2019	2018
Net revenue	**57,503**	117,696
Profit from sale of SternLease B.V.	**30,468**	–
Profit/ (loss) from sale of operations of Mango Mobility	**(670)**	–
Costs	**(56,380)**	(108,624)
Profit before tax	**30,921**	9,072
Income taxes	**(239)**	(4,580)
Tax on profit from sale of operations	**(8,106)**	–
Profit from discontinued operations	**22,576**	4,492

A condensed statement of cash flow from discontinued operations in 2019 is presented in the table below (excluding the cash flow from the sale of business operations):

	2019	2018
Cash flow from operating activities	**30,587**	43,908
Cash flow from investment activities	**(36,792)**	(68,922)
Cash flow from financing activities	**6,205**	25,014
Movement in cash and cash equivalents	**–**	–

The sale of SternLease B.V. and the mobility scooter operations of Mango Mobility has reduced the total assets of Stern Groep N.V. by approximately € 245.0 million. The main assets and liabilities that will be derecognised in the statement of financial position are the lease fleet with a value of € 231.0 million, goodwill of € 8.0 million, deferred taxes of € 13.0 million and interest-bearing loans of € 195.0 million.

13 Intangible assets

	Goodwill	Licenses	Total
Acquisition cost			
Balance at 31 December 2017	36,654	1,354	38,008
Acquisition	129	–	129
Divestment	–	–	–
Balance at 31 December 2018	36,783	1,354	38,137
Acquisition	–	–	–
Divestments	(8,118)	–	(8,118)
Balance at 31 December 2019	**28,665**	**1,354**	**30,019**
Cumulative amortisation and impairments			
Balance at 31 December 2017	6,610	896	7,506
Depreciation	–	59	59
Divestments	–	–	–
Balance at 31 December 2018	6,610	955	7,565
Depreciation	–	59	59
Divestments	–	–	–
Balance at 31 December 2019	**6,610**	**1,014**	**7,624**
Carrying amount at 31 December 2019	**22,055**	**340**	**22,395**
Carrying amount at 31 December 2018	30,173	399	30,572

Goodwill impairment test

For the purpose of impairment testing, goodwill acquired as a result of business combinations is allocated to the following cash-generating units, which are also reporting segments:

- Dealergroup Stern
- Stern Mobility Solutions

Cash-generating unit Dealergroup Stern

The recoverable value of the unit Dealergroup Stern is determined on the basis of a value in use calculated using cash-flow projections based on the 5-year financial forecasts approved by the Management Board. Over this term, account is taken of average growth in revenue of 1.0%.

The weighted average cost of capital (WACC) applied to the cash-flow projections is 5.3% after tax (2018: 6.2% after tax). The cash flows after the 5-year term are extrapolated without taking account of growth.

Cash-generating unit Stern Mobility Solutions

The recoverable value of the unit Stern Mobility Solutions is determined on the basis of the value in use of SternRent B.V., which is calculated using cash-flow projections based on the 5-year financial forecasts approved by the Management Board. Over this term, account is taken of average growth in revenue of 3.0%. The weighted average cost of capital (WACC) applied to the cash-flow projections is 6.2% after tax. The cash flows after the 5-year term are extrapolated without taking account of growth.

The allocation of the carrying amounts of goodwill and the other intangible assets to the cash-generating units is as follows:

	Dealergroup Stern		Stern Mobility Solutions		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Carrying amount of goodwill	**20,023**	20,023	**2,032**	10,150	**–**	–	**22,055**	30,173
Carrying amount of licences	**–**	–	**–**	–	**340**	399	**340**	399

In 2019, the goodwill of € 8.1 million included in the sale of SternLease B.V. charged to the transaction result is recognised under profit from discontinued operations in the statement of income. The goodwill allocated to SternLease B.V. is determined on the basis of the relative value of divested operations compared to the relative value in use of the continued operations of the unit Stern Mobility Solutions.

The difference between the value in use and the carrying value of the cash-generating unit Dealergroup Stern at year-end 2019 was € 1.0 million (2018: € 6.0 million).

The impairment test shows that reasonably possible individual changes to the assumptions used for the segments Dealergroup Stern and Stern Mobility Solutions will lead to an impairment of the goodwill. The headroom at the segment Dealergroup Stern would be nil with a WACC of 5.4% (currently calculated at 5.3%). Due to the limited headroom at the segment Dealergroup Stern, goodwill would be subject to immediate impairment in case of a decline in the gross margin or an increase in the costs compared to the cash-flow projections used for the impairment test. A 1% decline in the gross margin in comparison to the cash-flow projections used for the impairment test would lead to an impairment of goodwill of € 19.3 million. A 1% increase in the operating expenses in comparison to the cash-flow projections used for the impairment test would lead to an impairment of goodwill of € 17.0 million. A decline of 100 units in new car sales in comparison to the cash-flow projections used for the impairment test would lead to an impairment of goodwill of € 0.8 million.

Key assumptions for the calculation of the value in use of the cash-generating units Dealergroup Stern and Stern Mobility Solutions

The following describes the key assumptions used in the cash-flow projections specified by the Management Board for the assessment of potential or necessary impairment of goodwill.

Estimated gross margins

The estimated gross margins are based on the average gross margins realised in the year directly preceding the estimation year, adjusted for internal projects in progress and market developments.

Other operating expenses

Other operating expenses are based on historical actual costs, taking account of internal projects in progress and price indexation.

Lease assets and lease commitments

As a result of the application of IFRS 16 Leases, the lease costs of business premises and leased cars have been transferred to depreciation costs and interest expense. Lease assets and lease commitments are also recognised in the statement of financial position. Reliable market data to calculate the WACC including the effects of IFRS 16 Leases are not available.
The WACC used is therefore calculated in the same way as before application of IFRS 16. The application of IFRS 16 had no effect on cash flows. IFRS 16 was also left out of consideration in the determination of the carrying amount of the cash-generating unit.

Fuel licences

The economic life of the fuel licences at 31 December 2019 was assessed and it was established that this can be maintained. The remaining term of amortisation of the fuel licences is up to 10 years.

14 Property, plant and equipment

	Buildings and land	Machinery and equipment	Other non-current assets	Assets in production	Sub-total	Lease and rental cars	Total property, plant and equipment
Acquisition cost							
Balance at 31 December 2017	72,171	24,746	26,661	3,087	126,665	272,093	398,758
Acquisitions	–	138	66	–	204	–	204
Investments/in use	5,143	3,050	4,304	427	12,924	135,900	148,824
Divestments	(7,124)	(315)	(932)	–	(8,371)	(94,201)	(102,572)
Balance at 31 December 2018	70,190	27,619	30,099	3,514	131,422	313,792	445,214
Investments/in use	**23,546**	**3,286**	**2,118**	**(1,895)**	**27,055**	**88,121**	**115,176**
Divestments	**(14,581)**	**(1,994)**	**(1,048)**	**–**	**(17,623)**	**(68,267)**	**(85,890)**
Acquisitions and sale of business units	**–**	**–**	**–**	**–**	**–**	**(276,728)**	**(276,728)**
Balance at 31 December 2019	**79,155**	**28,911**	**31,169**	**1,619**	**140,854**	**56,918**	**197,772**
Cumulative depreciation							
Balance at 31 December 2017	22,380	17,697	13,409	–	53,486	48,216	101,702
Depreciation	2,680	1,541	3,279	–	7,500	50,182	57,682
Divestments	(1,415)	(52)	(473)	–	(1,940)	(39,720)	(41,660)
Balance at 31 December 2018	23,645	19,186	16,215	–	59,046	58,678	117,724
Depreciation	**3,869**	**1,563**	**3,522**	**–**	**8,954**	**28,131**	**37,085**
Divestments	**(2,530)**	**(578)**	**(486)**	**–**	**(3,594)**	**(31,976)**	**(35,570)**
Acquisitions and sale of business units	**–**	**–**	**–**	**–**	**–**	**(45,659)**	**(45,659)**
Balance at 31 December 2019	**24,984**	**20,171**	**19,251**	**–**	**64,406**	**9,174**	**73,580**
Assets held for sale	**(1,251)**	**(773)**	**(1,202)**	**–**	**(3,226)**	**–**	**(3,226)**
Carrying amount at 31 December 2019	**52,920**	**7,967**	**10,716**	**1,619**	**73,222**	**47,744**	**120,966**
Carrying amount at 31 December 2018	46,545	8,433	13,884	3,514	72,376	255,114	327,490
Estimated economic life in years	15–40*	5–20	3–10			3–4	

* No depreciation is applied to land in ownership.

Depreciation of lease and rental cars is recognised under Cost of sales. Rental cars are passenger cars and light commercial vehicles provided under rental contracts. Depreciation relating to discontinued lease operations is included under 'depreciation' in the above overview, but is recognised in the statement of income in profit from discontinued operations.

See note 26 for information on the assets placed as collateral for finance.

15 Lease assets and lease commitments

	Leased premises	Lease cars	Leased premises and lease cars
Lease assets			
1 January 2019	129,063	–	129,063
Sale of SternLease*	–	2,287	2,287
New lease contracts	6,343	625	6,968
Interim contract changes	(14,486)	122	(14,364)
Depreciation	(15,020)	(908)	(15,928)
Balance at 31 December 2019	**105,900**	**2,126**	**108,026**
Lease commitments			
Non-current lease commitments			114,782
Current lease commitments			19,734
1 January 2019			**134,516**
Sale of SternLease*			2,355
New lease contracts			6,968
Interim contract changes			(14,364)
Interest expense			3,377
Lease payments including interest expense			(18,756)
Balance at 31 December 2019			**114,096**
Non-current lease commitments			94,317
Current lease commitments			19,779
Balance at 31 December 2019			**114,096**

* After the sale of SternLease to ALD Automotive, the cars leased by Stern Group are presented in accordance with IFRS 16 Leases.

The future lease payments are discounted at an average interest rate of 2.75%. The future lease payments for lease cars are discounted at an average interest rate of 6.50%. The interim contract changes in the above table mostly concern lease contracts of divested business units that have been terminated and transferred.

The table below presents an overview of the due dates of the lease commitments of Stern Groep N.V. at 31 December 2019 based on nominal payments of interest and repayments:

	Nominal value of lease commit-ments	Within 12 months	1 to 5 years	> 5 years	Present value of lease commit-ments
31-12-2019					
Lease commitments	**127,479**	**19,779**	**54,000**	**53,700**	**114,096**
1-1-2019					
Lease commitments	**148,900**	**20,000**	**60,600**	**68,300**	**134,516**

The difference between the lease commitments under IFRS 16 of € 134.5 million and the rental obligations not shown in the statement of financial position in the 2018 financial statements of € 148.9 million are virtually fully due to the fact that the rental obligations not shown in the statement of financial position were not discounted in the 2018 financial statements and the lease commitments under IFRS 16 in the 2019 financial statements have been discounted.

16 Investments in associates

The associates consist of cooperative associations that were engaged in fleet management. Virtually all the current contracts of the cooperative associations were transferred to ALD Automotive at the same time as the sale of SternLease B.V. in 2019.

17 Other financial assets

	2019	2018
Interests of SternPartners B.V. (less than 20%)	**184**	210
Interest in Bovemij Verzekeringsgroep N.V. (5.06%)	**14,216**	14,113
Other	**149**	149
Total	**14,549**	14,472

The interest in Bovemij Verzekeringsgroep N.V. is measured on the basis of a valuation of Bovemij Verzekeringsgroep N.V. at 1 March 2019 carried out by PwC Consulting. This valuation is based on an unweighted average of the value based on a dividend discount method (DDM) and a price/earnings multiple method based on European listed companies considered to be comparable. Since these methods are based on liquid shares in large listed companies, a discount of 20% has been applied to reflect the limited tradability of the depositary receipts for shares (2018: 20%).

18 Inventory

	2019	2018
New passenger cars and light commercial vehicles	**127,785**	155,478
Cars with a repurchase commitment	**8,532**	10,011
Used passenger cars and light commercial vehicles	**52,926**	56,718
Parts	**9,864**	10,227
Other	**2,294**	5,122
Total	**201,401**	237,556

Based on specific provisions in IFRS 15 Revenue from contracts with customers, no sale proceeds are recognised for sales transactions with a repurchase commitment. Cars with a repurchase commitment remain on the statement of financial position under inventory and are written down to fair value on the repurchase date. 90% of the cars with a repurchase commitment have a term of less than 1 year.

The provision for inventory at 31 December 2019 amounted to € 4.9 million (2018: € 6.1 million).

19 Trade receivables

Trade receivables are not interest-bearing and generally are subject to a payment term of 30 days. Payments not made within this period are considered to be overdue.

Age of trade receivables

	Not overdue	Days < 30	31-60	61-90	91-180	181-365	> 365	Carrying amount
31 December 2019	**28,411**	**7,660**	**3,843**	**1,036**	**415**	**354**	**15**	**41,734**
31 December 2018	23,998	7,902	1,800	719	646	149	90	35,304

Movement in provision for trade receivables

The provision for uncollectible receivables is based on expected credit losses.

	2019	2018
Balance at 1 January	**1,131**	1,191
Contribution charged to and release to the statement of income	**(40)**	162
Receivables written off in financial year	**(68)**	(222)
Sale of business divisions	**(601)**	–
Balance at 31 December	**422**	1,131

20 Other receivables, accrued income and prepaid expenses

The items included below have a term to maturity of up to one year.
Accrued income and prepaid expenses consist mainly of prepaid costs as at closing date.

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 is estimated at the loss of the subsidy claims of €0.7 million, excluding any fines that may be imposed. Stern is fully cooperating with the investigation. Stern Group believes that all its obligations have been met and is maintaining its position. 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 has been submitted to the Minister of Justice and Security. A reserve has been formed charged to the profit in 2019 for the sanction arising from this transaction proposal in the item other payables, accrued liabilities and deferred income pending approval of the transaction proposal from the Minister. As part of the transaction proposal, Stern will consult 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.

21 Cash and cash equivalents

Cash and cash equivalents are entirely at the disposal of Stern Groep N.V. and concern cash in hand and at banks. Interest is paid on credit balances at banks at variable rates based on daily interest rates.

22 Assets and liabilities held for sale

The assets and liabilities of Heron Auto B.V. held for sale consist of:

	31-12-2019
Property, plant and equipment	3,226
Deferred tax assets	33
Inventory	27,599
Trade receivables	7,766
Prepayments and accrued income	2,986
Interest-bearing loans	(8,125)
Trade payables	(25,156)
Other obligations	(464)
Net assets held for sale	**7,865**

The goodwill allocated in 2020 to the sale of Heron Auto B.V. is € 1.0 million.

23 Equity

Issued capital
The company's authorised share capital stands at € 900,000, divided into 9,000,000 ordinary shares with a nominal value of € 0.10. The issued capital amounts to € 592,500 (2018: € 592,500), consisting of 5,925,000 shares (2018: 5,925,000 shares). No changes occurred during the year.

Share premium
This item changes if shares are issued at an issue price higher than the nominal value. Dividend distributed in shares is also charged to this item.

Revaluation reserve
The revaluation reserve consists of the unrealised part of the revaluation of financial non-current assets to fair value with a balance at 31 December 2019 of € 5.8 million (2018: € 5.7 million) and a cash-flow hedge reserve. The cash flow hedge reserve amounted to € 0.2 million negative at 31 December 2019 (2018: € 0.6 million negative) and consists of the effective part of the cumulative changes to the net value of the financial instruments to which cash-flow hedge accounting is applied.
The statutory reserve for these two items amounted to € 5.8 million at 31 December 2019 (2018: € 5.7 million).

Other reserves
The shares in the company temporarily repurchased by Stern Groep N.V. are deducted from the other reserves. At 31 December 2019, Stern Groep N.V. held 250,000 of its own shares (2018: 250,000 shares).

24 Pension commitments

The PMT pension fund
The pensions of virtually all the employees of Stern Groep N.V. are placed with the Occupational Pension Fund for the Metal and Technology Industry (Pensioenfonds Metaal en Techniek, or PMT). This pension scheme qualifies as a defined benefit scheme, under which the pension benefit is based on the length of service and the average salary of the employee during that service.

IAS 19 requires that certain information on defined benefit schemes is disclosed in the financial statements. In particular, the balance of the assets and liabilities relating to the scheme must be recognised in the statement of financial position as a receivable or a liability. The PMT has stated that it is not able to provide the information to participating companies that is required for defined benefit pension schemes under IAS 19.
The PMT has not included any prospective elements in its administration for the valuation of the pension liabilities. It also does not have an objective formula for attribution of a proportionate share in the provision for pension liabilities, fund investments and the costs of the pension scheme for the individual members. There is moreover no contractual agreement between the PMT and Stern Groep N.V. stating that shortfalls have to be made up by Stern Groep N.V. For this reason, the scheme is treated as a defined contribution scheme and the pension contributions due over the financial year are recognised as pension expense in the result.

A statement from the PMT shows that the coverage ratio at 31 December 2019 stood at 98.8% (2018: 99.4%). PMT states that there is still a real possibility of curtailment.

25 Provisions

	Jubilee	Warranty	Reorgani-sation	Other	Total
Balance at 31 December 2017	1,481	482	–	124	2,087
Usage	(238)	(1,200)	–	(124)	(1,562)
Contribution from statement of income	183	1,202	–	203	1,588
Balance at 31 December 2018	1,426	484	–	203	2,113
Usage	**(114)**	**(387)**	**–**	**(203)**	**(704)**
Contribution from statement of income	**84**	**307**	**3,364**	**–**	**3,755**
Provisions held for sale	**(93)**	**(38)**	**–**	**–**	**(131)**
Balance at 31 December 2019	**1,303**	**366**	**3,364**	**–**	**5,033**
Non-current part	**1,232**	**134**	**–**	**–**	**1,366**
Current part	**71**	**232**	**3,364**	**–**	**3,667**
Balance at 31 December 2019	**1,303**	**366**	**3,364**	**–**	**5,033**

If the effect of the time value of money is material, provisions are measured at the present value of the expected cash flows necessary to meet the liabilities. The discount rate used at 31 December 2019 is 2.0% (2018: 2.0%).

Jubilee provision

This concerns the estimated costs of payments on the occasion of jubilees of personnel, taking account of mortality probabilities, personnel leaving employment and salary developments during the time until the jubilee in question.

Warranty provision

This provision concerns the estimated costs arising from warranties on products and services provided by Stern Groep N.V. and is mainly short-term in nature. With respect to warranties on passenger cars and commercial vehicles, account is taken of payments from the vehicle manufacturers.

Reorganisation provision

This provision concerns the estimated costs relating to approved and communicated reorganisation plans.

26 Interest-bearing loans

	Effective interest rate	Maturity date	2019	2018
Non-current				
Mortgage loans	2.75%	2021/2023	**2,993**	10,288
Credit institutions	2.25%	2022	**46,747**	57,815
Financing of lease cars (securitisation facility)			**–**	151,079
Financing of lease cars (credit facility)			**–**	24,791
Total 31 December			**49,740**	243,973
Current				
Mortgage loans	2.75%	2020	**1,000**	1,475
Financing of used passenger cars	0.91%	2020	**49,514**	50,519
Financing of rental fleet	1.71%	2020	**39,440**	36,980
Other financing			**–**	4,914
Total 31 December			**89,954**	93,888

Mortgage loans

The mortgage loans recognised under interest-bearing loans have a weighted average interest rate of 2.75% (2018: 2.49%). These loans are secured by mortgages on business premises with a carrying amount of € 18.0 million (2018: € 22.4 million). The interest rate is based on 3-month Euribor. There are no mortgages with a term of more than 5 years (2018: nil).

Credit institutions

Stern Groep N.V. has facilities at credit institutions amounting to € 60.0 million for retail activities, € 46.7 million of which was used at 31 December 2019 (2018: € 57.8 million). The facilities will be reduced to € 57.0 million in 2020 and to € 54.0 million in 2021. The facility is secured by a pledge on the trade receivables, the inventory of new passenger cars and commercial vehicles paid for and the business inventory. The facility runs until 31 May 2022 and the interest rate is 3-month Euribor plus a spread.

Financing of used passenger cars

A credit facility is provided by a finance company affiliated to a car manufacturer for the financing of used passenger cards in an amount of € 57.0 million (2018: € 59.8 million), of which € 49.5 million was drawn down at 31 December 2019 (2018: € 50.5 million). A pledge is provided for this facility on the used passenger cars financed. The interest rate is 1-month Euribor plus a spread. The credit limit is reviewed each year in June, and the facility is expected to be extended again in June 2020.

Financing of rental fleet

A credit facility is provided by a finance company affiliated to a car manufacturer for the financing of the rental fleet of SternRent of € 45.0 million (2018: € 45.0 million), of which € 39.4 million was drawn down at 31 December 2019 (2018: € 37.0 million). A pledge is provided for this facility on the rental cars financed. The interest rate is 1-month Euribor plus a spread. The credit limit is reviewed each year in June, and the facility is expected to be extended again in June 2020.

Bank covenants

Regarding the facilities at credit institutions and the mortgage loans, agreements have been made with respect to minimum ratios to be achieved. The agreed ratios relate to the solvency and the interest coverage ratio (ICR).

The solvency ratio (adjusted for goodwill) must be at least 35%. This minimum solvency ratio will be reduced to 30% in June 2021.

The bank covenants stipulate a minimum ICR of 3.00. This concerns a 12-month ICR that is calculated quarterly on the basis of EBITDA and the net interest expense over the past 12 months. The ICR is the result of EBITDA divided by net interest expense. In 2019, the costs of reorganisations and the optimising of Dealergroup Stern and the Overhead were allowed to be omitted from this calculation. Incidental costs of € 1.25 million were also left out of consideration.
The bank covenants state that the new reporting standards will not affect the calculated ratios.

If the ratios stated in the bank covenants are breached, account has to be taken of an additional interest spread, and in such case the credit institutions also have the option of reviewing the agreements in the covenants. If the company fails to operate within the covenants, the facilities may in principle be payable on demand. The Management Board actively monitors that the company operates within the covenants.

Stern Groep N.V. operated within the agreed ratios during 2019.

Regarding the distribution of dividend, it has been agreed with the credit institutions that this may not lead to a breach of the bank covenants.

The table below provides an overview of the maturity dates of the financial obligations of Stern Groep N.V. at 31 December 2019 on the basis of contractual and not discounted payments of interest and repayments, without taking account of hedge transactions entered into (see note 33).

	Carrying amount at year-end	**Within 12 months**	**1 to 5 years**	**> 5 years**
31/12/2019				
Mortgage loans	**3,993**	**1,096**	**3,116**	**–**
Credit institutions	**46,747**	**1,052**	**47,273**	**–**
Financing of used passenger cars	**49,514**	**49,739**	**–**	**–**
Financing of rental fleet	**39,440**	**39,777**	**–**	**–**
Derivatives	**372**	**249**	**123**	**–**
	140,066	**91,913**	**50,512**	**–**
31/12/2018				
Mortgage loans	11,763	1,750	10,920	–
Financing of lease cars (securitisation facility)	151,079	2,145	152,152	–
Financing of lease cars (credit facility)	24,791	558	25,070	–
Credit institutions	57,815	1,156	58,393	–
Financing of used passenger cars	50,519	50,767	–	–
Financing of rental fleet	36,980	37,309	–	–
Other financing	4,914	4,971	–	–
Derivatives	842	406	436	–
	338,703	99,062	246,971	–

The following overview shows the changes in interest-bearing loans divided into cash flows and other changes. The cash flow in the following overview corresponds to the change in interest-bearing loans shown in the statement of cash flow.

	Mortgages	Securitisation facility	Credit institutions and other finance	Derivatives	Total
Balance at 31 December 2017	9,572	136,125	158,435	285	304,417
Cash flow from financing activities	2,191	14,954	16,584	–	33,729
Other changes	–	–	–	557	557
Balance at 31 December 2018	11,763	151,079	175,019	842	338,703
Cash flow from financing activities	**(7,770)**	**9,842**	**2,979**	**–**	**5,051**
Sale of business divisions	**–**	**(160,921)**	**(34,172)**	**–**	**(195,093)**
Held for sale	**–**	**–**	**(8,125)**	**–**	**(8,125)**
Other changes	**–**	**–**	**–**	**(470)**	**(470)**
Balance at 31 December 2019	**3,993**	**–**	**135,701**	**372**	**140,066**

27 Financial instruments

Fair value

The following overview presents a comparison between the carrying amounts and the fair values of all the financial assets and liabilities of Stern Groep N.V. recognised in the financial statements, including assets and liabilities classified as held for trading:

	Carrying amount		Fair value	
	2019	**2018**	**2019**	**2018**
Financial assets				
Cash and cash equivalents	**683**	747	**683**	747
Investments in associates	**–**	1,164	**–**	1,164
Interests of SternPartners B.V. (less than 20%)	**184**	210	**184**	210
Interest in Bovemij Verzekeringsgroep N.V.	**14,216**	14,113	**14,216**	14,113
Other	**149**	149	**149**	149
Financial liabilities				
Mortgage loans	**3,993**	11,763	**3,993**	11,763
Financing of lease cars (securitisation facility)	**–**	151,079	**–**	151,079
Financing of lease cars	**–**	24,791	**–**	24,791
Credit institutions	**46,747**	57,815	**46,747**	57,815
Financing of used passenger cars	**49,514**	50,519	**49,514**	50,519
Financing of rental fleet	**39,440**	36,980	**39,440**	36,980
Lease commitments	**114,096**	–	**114,096**	–
Other financing	**–**	4,914	**–**	4,914
Derivatives	**372**	842	**372**	842

The fair value of the derivatives and drawn down loans is calculated as the present value of the expected cash flows at prevailing market rates.
Financing is effected mainly on the basis of a short-term interest rate so that the carrying amount approximates the fair value of the financial liabilities. The average interest rate used to calculate the present value of the lease commitments is virtually the same as the marginal interest rate at year-end 2019, so that the carrying amount approximates the fair value of the lease commitments.

Stern Groep N.V. uses the following three levels for the classification and disclosure of financial instruments measured at fair value:
- Level 1: price quotations in active markets;
- Level 2: valuation techniques for which input can be derived from observable market data;
- Level 3: valuation techniques for which input cannot be derived from observable market data.

The following analysis shows the financial instruments measured at fair value classified according to measurement level:

	Level 1	Level 2	Level 3	Total
31/12/2019				
Interest in Bovemij Verzekeringsgroep N.V.	**–**	**–**	**14,216**	**14,216**
Derivatives	**–**	**(372)**	**–**	**(372)**
31/12/2018				
Interest in Bovemij Verzekeringsgroep N.V.	–	–	14,113	14,113
Derivatives	–	(842)	–	(842)

The development of financial instruments in level 3 in the financial year was as follows:

	2019	2018
Level 3		
Balance at 1 January	**14,113**	13,237
Changes in fair value	**103**	876
Balance at 31 December	**14,216**	14,113

The fair value of the interest in Bovemij Verzekeringsgroep N.V. is based on an external valuation report as at 31 December of the previous year, taking account of particular developments during the current year.

28 Trade and other payables

This item includes the credit facilities provided by car manufacturers for the performance of the underlying dealer contracts. A pledge is provided for this facility on the passenger cars and light commercial vehicles financed, including parts and accessories.
The interest rates are based on Euribor plus a spread.

29 Tax and social security contributions

The payroll tax and social security contributions due under this item amounted to € 2.8 million at 31 December 2019 (2018: € 2.9 million), value-added tax due of € 2.9 million (2018: € 3.2 million) and corporate income tax due of nil (2018: nil).

30 Repurchase commitments

Based on specific provisions in IFRS 15 Revenue from contracts with customers, no sale proceeds are recognised for sales transactions with a repurchase commitment. Cars with a repurchase commitment remain on the statement of financial position under inventory and are written down to fair value on the repurchase date. Repurchase commitments are recognised against these cars in the statement of financial position, with 90% having a term of less than 1 year.

31 Other payables, accrued liabilities and deferred income

The other payables include € 5.4 million in payments to personnel (2018: € 6.5 million).
The item accrued liabilities and deferred income consists mainly of prepayments from customers and importers received as at the closing date.

32 Note to the statement of cash flow

The statement of cash flow shows the movements in cash and cash equivalents.
The preparation of this statement is based on a comparison between the opening balance and the closing balance. Changes that have not led to cash flow, such as impairments and transfers between bank accounts, are then eliminated. Changes in the working capital can mostly be derived from the overview of changes in the relevant items in the statement of financial position, taking account of changes arising from companies acquired and divested (see note 3) and assets and liabilities held for sale (note 22). Note 26 provides the connection between the changes in interest-bearing loans and the statement of cash flow.
The movement in inventory in 2018 includes an increase of € 10.0 million and the current liabilities includes an increase of € 10.3 million as a result of the recognition of cars with a repurchase obligation in the statement of financial position with effect from 2018 (see notes 18 and 30). Under IFRS 16 Leases, the lease payments are divided into interest and repayments. The interest payments are recognised under cash flow from operational activities and the repayments are recognised as cash flow from investing activities.

33 Objectives and policy regarding the management of financial risks

Financial instruments and risk policy

The interest rate profile of the financial liabilities, after taking account of the hedge transactions entered into and excluding the IFRS 16 lease commitments, is as follows:

	2019	2018
Liabilities at variable interest rates	**31,694**	54,897
Liabilities at fixed interest rates	**108,000**	282,964
	139,694	337,861
Liabilities at fixed interest rates		
Weighted average interest rate (%)	**1.8**	1.8
Weighted average maturity (years)	**1.2**	2.1

The interest rates for the financial liabilities are mainly based on Euribor (note 26). At 31 December 2019, Stern Group had a number of outstanding contracts for interest rate swaps for a total amount of € 108.0 million (2018: € 283.0 million). The interest rate swaps are concluded in order to convert liabilities at variable interest rates into liabilities with fixed interest rates. The average remaining maturity of the interest rate swaps is 14 months (2018: 26 months), with a weighted average interest rate, including the spread for the liability in question, of 1.8% (2018: 1.8%).

The most important financial instruments (other than derivatives) held by Stern Groep N.V. are bank loans and overdrafts, lease agreements, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the business operations. Stern Groep N.V. has various other financial assets and liabilities, such as trade receivables and payables, that arise directly as a result of its business operations. Stern Groep N.V. also enters into transactions for interest rate swaps. The purpose of the interest rate swaps is to limit the interest rate risk to which Stern Groep N.V. is exposed as a result of its business operations and its sources of funding. In principle, Stern Groep N.V. does not trade in financial instruments, nor did it do so during the year under review.

The main risks arising from the financial instruments held by Stern Groep N.V. are interest rate risk and credit risk. The Management Board evaluates and approves the policy with respect to the mitigation of these risks.

Interest-rate risk

Stern Groep N.V. strives to mitigate the risks arising from its operational activities and the funding thereof. Interest-rate risk is hedged using interest-rate swaps. After initial recognition, these instruments are carried at market value (at 31 December 2019 this amounted to € 0.4 million negative and at 31 December 2018 € 0.8 million negative). The following overview shows the carrying amounts of the interest rate swaps to which hedge accounting is applied at 31 December 2019.

Regarding	2019 Nominal value	2019 Carrying amount	2019 Fair value	2018 Nominal value	2018 Carrying amount	2018 Fair value
Mortgage loans	**12,000**	**(78)**	**(78)**	12,000	(47)	(47)
Financing of lease cars	**–**	**–**	**–**	174,964	(590)	(590)
Credit institutions	**60,000**	**(233)**	**(233)**	60,000	(65)	(65)
Financing of used passenger cars	**36,000**	**(62)**	**(62)**	36,000	(140)	(140)
Total 31 December	**108,000**	**(372)**	**(372)**	282,964	(842)	(842)

The fair value of the interest rate swaps is determined on the basis of market interest rates as at 31 December 2019 and 2018 respectively. Cash flow hedge accounting is applied to these hedges. The hedges of the future cash flows are considered to be effective with an unrealised negative result of € 0.4 million (2018: € 0.8 million negative) with a deferred tax item of € 0.1 million (2018: € 0.1 million). The result on the hedging instrument is applied to the statement of comprehensive income in 2019 and 2018. There are no margin obligations as a result of the swap contracts.

Credit risk

Stern Groep N.V. deals only with creditworthy third parties. The policy at Stern Groep N.V. is that all customers wishing to trade with deferred payment must be subjected to credit verification procedures. Furthermore, open balances are continuously monitored so that Stern Groep N.V. is not exposed to material risk as a result of doubtful debtors. Credit risk is incurred on the other financial assets of Stern Groep N.V., which consist of cash and cash equivalents, financial assets held for trading and certain derivatives, to the extent that the counterparty may default on an amount not exceeding the carrying amounts of these instruments.

Since Stern Groep N.V. deals only with creditworthy third parties, no security is required.

Liquidity risk

Stern Groep N.V. has concentrated the management of its cash and direct credit facilities with a limited number of banking institutions (see note 26) As part of this management, the accounts of operating companies are included in cash pooling arrangements and the maximum credit limit of each operating company is monitored centrally.

Interest-rate exposure analysis

The following table shows the exposure of the result before tax of Stern Groep N.V. (due to the effect of loans at variable interest rates) and the equity (due to the effect of the valuation of the interest rate swaps) to a potential change in Euribor with all other variables remaining constant.

	Increase or decrease in interest rates in basis points	Effect on pre-tax profit	Effect on equity
2019 financial year	**+100**	**(317)**	**707**
	-100	**317**	**(707)**
2018 financial year	+100	(549)	4,186
	-100	549	(4,186)

Capital management

The primary objective of capital management at Stern Groep N.V. is to maintain good creditworthiness and sound solvency to support the operations of Stern Groep N.V. and to optimise shareholder value.
Stern Groep N.V. manages its capital structure and adjusts this according to changes in economic conditions. In order to maintain or adjust its capital structure, Stern Groep N.V. may change its payment of dividend to shareholders, repay capital to shareholders or issue new shares. No changes were made to the objectives, policy or processes in 2019 or 2018.

Stern Groep N.V. monitors its capital using a solvency ratio, which is the consolidated equity divided by the total assets. Regarding the facilities at credit institutions, agreements have been made with respect to minimum ratios to be achieved. The agreed ratios relate to the solvency and the interest coverage ratio (ICR) (see note 26).

34 Contingent assets and liabilities

Bank guarantees

Stern Groep N.V. has provided a bank guarantee for the lessors of € 3.7 million (2018: € 3.7 million).

Economic inventory position

If importers have not yet transferred all the major rights to economic benefits and all major risks with respect to new passenger cars and light commercial vehicles to Stern Groep N.V., the vehicles in question are not yet recognised in the statement of financial position. The economic inventory position of vehicles delivered or to be delivered by importers at 31 December 2019 amounted to € 47.8 million (2018: € 53.3 million).
Stern sells trucks with lease or finance agreements that include an option for the buyer to sell the truck back to Stern when the agreement terminates. Since the majority of buyers do not exercise this option, these trucks are not recognised under repurchase commitments in the statement of financial position. The maximum repurchase commitment under these agreements at 31 December 2019 was € 7.5 million.

35 Related party disclosures

H.H. van der Kwast, Chair of the Management Board of Stern Groep N.V., owns an interest of 12.3% in Stern Groep N.V. through his personal holding company Merel Investments B.V. (2018: 12.3%).

H.H. van der Kwast, Chair of the Management Board of Stern Groep N.V., is a related party to Kluut Vastgoed B.V. (indirect interest of 50%). Stern Groep N.V. leases one premises from Kluut Vastgoed B.V. The total rent paid for 2019 was € 117,000 (2018: € 105,000), The lease has been terminated and expires in 2020.

36 Remuneration of the Management Board and the Supervisory Board

The remuneration of the members of the Management Board consists of a fixed gross annual salary with pension contribution, plus a variable component of up to 33% of the fixed gross annual salary, subject to previously set criteria being met.

Individual remuneration of the Management Board

(amounts x € 1)

	Fixed salary	Social security contributions	Bonus	One-off bonus	Pension contributions and compen-sation	Total
2019						
H.H. van der Kwast	**486,000**	**10,703**	**45,000**	**200,000**	**144,854**	**886,557**
Total	**486,000**	**10,703**	**45,000**	**200,000**	**144,854**	**886,557**
2018						
H.H. van der Kwast	486,000	15,552	–	37,500	141,234	680,286
A.A. Swijter (until 28-09-2018)	300,000	15,062	–	–	41,288	356,350
Total	786,000	30,614	–	37,500	182,522	1,036,636

The criteria regarding profit-sharing and bonus payments for 2019 were:

- achievement of revenue, net profit, return on equity and cash flow in line with the budget for 2019;
- achievement of the targets set in the Fast Forward Reloaded strategic plan;
- realisation of the targets in the Fast Forward Reloaded strategic plan and the realisation of targets relating to development of the organisation, operating efficiency and digitalisation.

The criteria for profit-sharing and bonus payments for 2019 were partially realised. This will be formally ratified by the Supervisory Board after adoption of the 2019 financial statements on 7 May 2020.

The criteria for profit-sharing and bonus payments for 2020 are:
- achievement of revenue, net profit, return on equity and cash flow in line with the budget for 2020;
- achievement of the targets set in the Focus on Value strategic plan;
- realisation of the targets in the Focus on Value strategic plan and the realisation of targets relating to development of the organisation, operating efficiency and digitalisation.

The Supervisory Board makes use of scenario analyses in the formulation and establishment of the remuneration of the Management Board as stated in best practice provision II.2.1. of the Corporate Governance Code.

Individual remuneration of the Supervisory Board

(amounts x € 1)

	Regular remuneration payable	Remuneration of the Audit Committee	Remuneration of the Remuneration Committee	Other Remuneration*	Total 2019	Total 2018
D.R. Goeminne	40,000	–	2,500	–	**42,500**	43,840
M.E.P. Sanders	32,000	10,000	–	–	**42,000**	42,000*
A. Roggeveen	32,000	–	–	–	**32,000**	83,350
S.G. Brummelhuis	32,000	–	5,000	–	**37,000**	36,107
P.P.M. Nielen	32,000	5,000	–	–	**37,000**	36,107
Total	168,000	15,000	7,500	–	**190,500**	241,404

* For the Fast Forward Reloaded strategic project.

Share ownership by the Management Board

	2019	2018
H.H. van der Kwast (via Merel Investments B.V.)	**700,000**	700,000

Share ownership by the Supervisory Board

	2019	2018
D.R. Goeminne	**25,000**	25,000
M.E.P. Sanders	**–**	–
A. Roggeveen	**–**	–
S.G. Brummelhuis	**–**	–
P.P.M. Nielen	**–**	–

No option rights, advances or guarantees are provided to the members of the Management Board of Stern Groep N.V. and/or to members of the Supervisory Board.

37 Subsequent events

Stern Groep N.V. reached agreement with Broekhuis regarding the sale of all the shares in Heron Auto B.V. on 9 December 2019. The transaction was settled on 2 January 2020. The sale will reduce the total assets of Stern Groep N.V. by approximately € 42 million. The main assets and liabilities that will be derecognised in the statement of financial position as a result of the sale concern inventory with a value of approximately € 28 million, receivables of € 11 million, goodwill of € 1 million and liabilities of € 34 million. The sale of Heron Auto B.V. is expected to realise a book gain. Cars with a repurchase commitment are no longer recognised in the statement of financial position at 31 December. The carrying amount of these cars at 31 December 2019 was € 4.2 million, with a repurchase commitment of € 4.5 million.

On 30 January 2020, it was announced that Stern Groep N.V. is in exclusive talks with Hedin Automotive A.B., a large Scandinavian dealership, regarding a merger of their respective automotive businesses. No certainty can be given at this time that the merger will go ahead. After a merger, the combination intends to use the listing on Euronext Amsterdam as a platform for further growth.

(amounts x € 1,000)

Company statement of income

	2019	2018
Net revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Other income	–	–
Employee expenses	(3,291)	(3,613)
Depreciation of property, plant and equipment	(2)	(4)
Other operating expenses	(278)	(332)
Operating profit/ (loss)	(3,571)	(3,949)
Result from participating interests	25,258	4,321
Financial income and expenses	(1,298)	(874)
Profit before tax	20,389	(502)
Income taxes	988	988
Profit after tax	21,377	486

(amounts x € 1,000)

Company statement of financial position at 31 December

	Note	31 December 2019	31 December 2018
Non-current assets			
Property, plant and equipment			
Other assets		–	2
Financial non-current assets	2		
Investments in group companies		**225,062**	203,421
Other investments		**149**	149
		225,211	203,570
Non-current assets		**225,211**	203,572
Current assets			
Other receivables, accrued income and prepaid expenses		**174**	1,222
Cash and cash equivalents		**1**	5
		175	1,227
Total assets		**225,386**	204,799
Equity	3		
Issued capital		**593**	593
Reserves		**152,046**	154,568
		152,639	155,161
Current liabilities			
Interest-bearing loans	4	**70,041**	47,018
Liabilities to group companies		**1**	2
Tax and social security contributions		**127**	156
Other liabilities and accruals and deferred income		**1,393**	1,396
Deferred tax liability		**1,185**	1,066
		72,747	49,638
Total liabilities		**225,386**	204,799

(amounts x € 1,000)

Notes to the company financial statements

1 Accounting principles

The company financial statements are prepared on the basis of Part 9 of Book 2 of the Dutch Civil Code with use of the option provided under Section 2:362 (8) to apply the IFRS accounting policies that are used for the consolidated financial statements.

Principles for measurement and determination of the result

Details of the principles for measurement and determination of the result can be found in the notes to the consolidated financial statements and, unless otherwise stated, apply equally to the company financial statements.

Participating interests

The participating interests in group companies are recognised at net asset value. The reporting dates of the group companies are the same as those of Stern Groep N.V. The principles for financial reporting are, for similar transactions and events in comparable circumstances, the same as those of Stern Groep N.V.

Income taxes

Income taxes consist of current and deferred tax. Current tax concerns the expected tax payable on the taxable profit in the financial year on the basis of prevailing tax rates. Deferred tax is recognised for temporary differences between the valuation of assets, liabilities and deductible losses for commercial purposes and their valuation for tax purposes. Deferred tax is calculated on the basis of established tax rates and regulation that are expected to apply at the time the deferred tax asset or liability is realised. Deferred tax assets are only recognised if it is expected that sufficient future profit for tax purposes will be available against which the temporary differences and available tax-deductible losses can be realised. Stern Groep N.V. settles on the basis of the taxable result of the group companies, taking account of the benefits of the fiscal unity to the various constituent group companies.

2 Financial non-current assets

	Participating interests in group companies	Other	Total
Carrying amount at 1 January 2019	**203,421**	**149**	**203,570**
Result for the year	25,258	–	25,258
Other changes	(3,617)	–	(3,617)
Carrying amount at 31 December 2019	**225,062**	**149**	**225,211**

The participating interests in group companies includes the 100% equity interest in Stern Facilitair B.V. of Purmerend, the holding company for all other group companies.

3 Equity

For the development of equity, see the consolidated financial statements. The entire share premium qualifies as a recognised paid-up reserve for tax purposes.

4 Interest-bearing loans

Stern Groep N.V. has finance facilities at credit institutions. For details of these facilities and the associated collateral and bank covenants, see note 25 to the consolidated financial statements.

5 Other notes

Dividend

An interim dividend for 2019 of € 3.50 has already been distributed, on 26 March 2020 a proposal for a final dividend will be published at the same time as the publication of the convening notice for the General Meeting to be held on 7 May 2020.

Contingent assets and liabilities

Stern Groep N.V. has accepted joint and several liability for the debts of the group companies listed on page 97, including tax, arising from legal actions by the group companies in accordance with Section 403 of Part 9 of Book 2 of the Dutch Civil Code.

Remuneration of the Management Board and Supervisory Directors

For the remuneration of the Management Board and Supervisory Directors, see note 35 to the 2019 consolidated financial statements.

Audit fees

For the audit fees, see note 8 to the 2019 consolidated financial statements.

Number of employees

The number of employees, including the Management Board, at 31 December 2019 was 8 (2018: 11).

Amsterdam, 5 March 2020

The Management Board	The Supervisory Board
H.H. van der Kwast	D.R. Goeminne
	M.E.P. Sanders
	A. Roggeveen
	S.G. Brummelhuis
	P.P.M. Nielen

Other information

Profit appropriation according to the articles of association

Article 38

1. Subject to the approval of the Supervisory Board, the Management Board transfers as much of the remaining profit to reserves as it deems necessary. Insofar as the profit is not transferred to reserves subject to the provisions of the previous sentence, it is available to the Annual General Meeting in whole or in part for distribution to the shareholders in proportion to the number of ordinary shares that they own. The company may only pay the shareholders and other persons entitled to the profits available for distribution to the extent that its equity exceeds the amount of the paid-up and called-up capital plus the reserves that must be held pursuant to statute.

Article 39

1. Distributions of profit shall be payable four weeks after adoption, unless the General Meeting sets a different date as proposed by the Management Board.

2. Distributions of profit that have not been received within five years of being made available for payment shall lapse to the company.

3. Resolutions of the General Meeting to grant full or partial cancellation of reserves shall require the approval of the Management Board and the Supervisory Board, without prejudice to the provision in paragraph 6.

4. With the prior approval of the Supervisory Board, the Management Board may make an interim distribution of profit, subject to the provision of Section 105 Book 2 of the Dutch Civil Code.

5. The General Meeting may, if so proposed by the Management Board and with the prior approval of the Supervisory Board, resolve that distributions of profit should be made entirely or partially in the form of shares in the company's capital.

6. A shortfall may only be made up from the reserves held pursuant to statute to the extent permitted by law.

Independent auditor's report

To: the shareholders and supervisory board of Stern Groep N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Stern Groep N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Stern Groep N.V. as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Stern Groep N.V. as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2019;
- The following statements for 2019: the consolidated statement of income, the consolidated statements of comprehensive income, changes in equity and cash flows;
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company statement of financial position as at 31 December 2019;
- The company statement of income for 2019;
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Stern Groep N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Our understanding of the business

Stern Groep N.V. is one of the largest dealer holdings in the Netherlands. Stern Groep N.V.'s activities mainly consist of sales, mobility solutions and car services. The group structure consists of various entities and we have set up our audit accordingly. We have given particular attention in our audit to a number of topics based on the group's activities and our risk analysis.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	€ 1,700,000 (2018: € 1,800,000)
Benchmark applied	1% of the gross profit
Explanation	Both the result before tax and the operating profit of Stern Groep N.V. have been highly volatile in recent years. For this reason, we do not consider this to be an appropriate benchmark for materiality. We consider that gross profit is the most appropriate materiality benchmark for Stern Groep N.V. In addition, we have identified the following relevant aspects: • Important performance indicator for Stern Groep N.V. and its stakeholders • More stable trend without large fluctuations

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 85,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors (including legal, human resources and directors of the group entities) and the supervisory board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. In our risk assessment we also considered the potential impact of the results on the bank covenants.

We evaluated the design and the implementation of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in 1. "Accounting principles" in the consolidated financial statements. We have also used data analysis to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern
In order to identify and assess the risks of going concern and to conclude on the on the appropriateness of management's use of the going concern basis of accounting, we consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

Scope of the group audit
Stern Groep N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Stern Groep N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

The factors determining the scope are the fact that Stern's operations take place in the Netherlands, the organizational structure of Stern's operations, the size and/or risk profile of the other group elements and operations and the fact that the business processes and internal control measures are generally carried out in the same way at the various dealerships. This means that there is no scoping for separate dealerships. We considered the dealerships as one component for our audit next to the rent and other operations.
If certain entities carry out their internal controls in a non-standard manner, we have taken account of this in our audit.

All procedures at the group entities and at group level were performed by the same audit team.

As a result of these procedures we have obtained sufficient and appropriate audit evidence in relation to the financial information of the group to issue an opinion regarding the consolidated financial statements.

Teaming, use of specialists and internal audit
We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a listed client in the automotive industry. We included specialists in the areas of IT audit and taxes in the engagement team. In addition we have made use of our own valuation experts for the audit of the discount rate (WACC), that was applied in the goodwill impairment test.

General audit procedures
Our audit further included among others:
- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

Compared to last year, there are the following changes in key audit matters:
- Key audit matter 'Intended sale of SternLease' has been changed to 'Sale of activities'
- Key audit matter 'Availability of financing and compliance with covenants (including IFRS 16)' is no longer included as the covenants have been met and the financing agreements signed in 2019 have a long-term nature.

- Key audit matter 'Valuation of deferred tax asset' is no longer reported separately because the deferred tax asset is considerably lower due to the sale of SternLease. The assessment of future expected profits has been integrated into the key audit matter 'Valuation of goodwill dealer group Stern'.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our audit approach	Key observations
Sale of activities We refer to note 1 in the financial statements 'Accounting policies' and note 12 'Discontinued operations'		
On 1 March 2019 an agreement was reached with Axus Nederland B.V. (trade name ALD Automotive) regarding the sale of the shares of SternLease B.V. On 7 December 2019 an agreement was reached with Mango Care B.V. regarding the sale of the scoot mobility activities of Mango Mobility Services B.V. as of 31 December 2019. In addition, on 9 December 2019 Stern Groep reached an agreement with Broekhuis Dealer Holding B.V. about the sale of Heron B.V. as of 2 January 2020. These transactions are considered to be a key audit matter, because the result and the recognition thereof are important for the understanding of the financial statements.	Our audit procedures included determining that the transactions were accounted in accordance with IFRS 5 "Non-current Assets Held for Sale" and that the results of SternLease and the scoot mobility activities of Mango Mobility Services B.V. as a result, are presented as result from discontinued operations. We read the sales contracts and determined that the processing in the financial statements is consistent with this. In addition, we have determined whether the attributable goodwill has been correctly taken into account in determining the sales result. We have determined that the assets and liabilities of Heron Auto B.V. are recognized as respectively assets or liabilities held for sale. We have also performed procedures with regard to the disclosures in the financial statements regarding the aforementioned transactions.	We consider the accounting for these transactions to be acceptable and the disclosures in the financial statements to be adequate.

Risk	Our audit approach	Key observations
Valuation of goodwill Dealer group Stern We refer to note 1 in the financial statements 'Accounting policies' and note 13 'Intangible non-current assets'		
The assessment whether goodwill is subject to impairment is considered to be a key audit matter, since this entails significant uncertainties with regard to management's estimation of future cash flows. These cash flows also form the basis for the valuation of the deferred tax assets. The most important assumptions are made in this respect to the determination of the discount rate (WACC), the development of the margin, revenue and the market in general. Stern's analysis resulted in very limited headroom. Note 13 includes the sensitivity analysis, which provides insight into the volatility of the headroom.	The audit procedures we performed included an assessment of the quality of the budgeting process, the reasonableness of the assumptions underlying the estimation of future cash flows and whether these are consistent with the budget for 2020 and the outlooks for 2021 and 2022 as approved by the Management Board and the Supervisory Board. We have also taken note of the intended merger to determine whether or not this could affect the results of the impairment test performed. We engaged a valuation expert at EY to evaluate the discount rate applied and valuation methodology used. We also carried out procedures with respect to the disclosures in the financial statements on the impairment test, in particular the relevant assumptions that most affect the determination of the recoverable value of the goodwill, such as the margin developments of the relevant revenue categories, the movements in costs and the weighted average cost of capital (WACC) applied. We assessed that these disclosures – including the disclosure regarding the decline in headroom in 2019 and the sensitivity applied with respect to the various assumptions – are adequately and correctly calculated and provide sufficient insight into the chosen assumptions and the effects of these assumptions on the valuation.	The headroom is very sensitive to the assumptions made, a 1% deviation from the budgeted gross margin or costs has an impact on the headroom of more than € 15 million. An adjustment of the goodwill assumptions may also affect the valuation of the deferred tax asset. We consider the key management assumptions underlying the estimation of future cash flows and the discount rate to be reasonable. We consider the disclosure in the financial statements regarding the impairment test to be adequate. The disclosure note provides sufficient insight into the assumptions applied and sensitivities of these assumptions for the valuation.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The general report;
- The management board's report;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- The corporate social responsibility report.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 and Section 2:135b of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with Section 2:135b of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by supervisory board as auditor of Stern Groep N.V. as of the audit for the year 2003 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.
In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the [supervisory board] with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

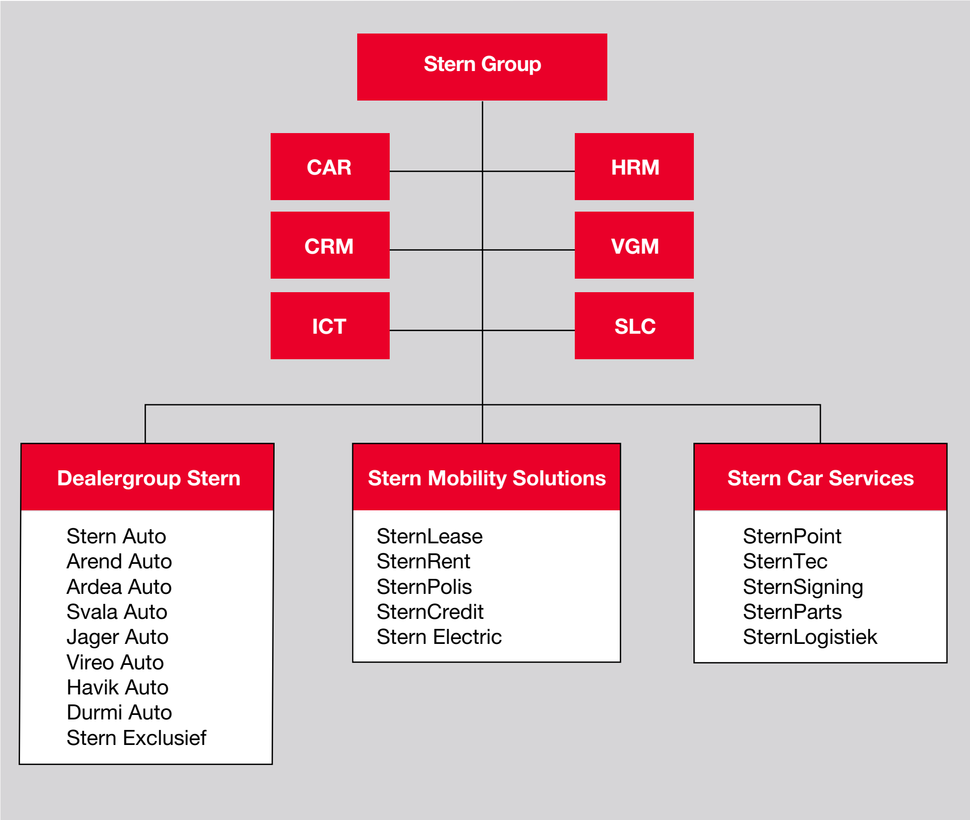
From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 5 March 2020

Ernst & Young Accountants LLP
J. J. Kooistra

Other information

Organisation structure



Stern Group

is led by the Management Board, which consists of Henk van der Kwast and Finus Porsius. The Management Board is responsible for general policy, finance and group strategy. The Management and Supervisory Boards are supported by Bastiaan Geurts, who is the Company Secretary. The operational management organ of the company is the Group Council (see page 6).

Stern CAR

stands for controlling, analysis and reporting. Stern CAR provides the group's monthly, quarterly and annual reporting, coordinates the annual audit with the auditor, acts as the initial point of contact for financial and tax matters and coordinates the group's cash management. Stern CAR also provides guidance for improvements to processes and controls, including programmes for improving workplace productivity and optimising the use of working capital. Stern CAR is also responsible for due diligence investigations when opportunities for acquisitions arise. Stern CAR is led by Finus Porsius (Financial Director).

Stern CRM

is involved in the major corporates market with all Stern's products and services and forms the link between the large lease companies and the group companies of Stern. Stern CRM stands for communication, relationship management and marketing and is also responsible for the organisation and coordination of the marketing and communication of the entire group. Stern CRM is led by Bastiaan Geurts (director).

Stern HRM

develops and formulates HRM strategies, policy and procedures, coordinates and leads the implementation of HRM policy and procedures for the entire group. Stern HRM also has a supervisory role, particularly in relation to compliance with established procedures and quality standards, and is responsible for the optimal functioning of HRM systems and processes. Stern HRM supports, advises and facilitates the primary process in relation to HRM at the decentralised HR departments of the group. Stern HRM is led by Loes van Dalen (director).

Stern ICT
ensures that the ICT environment and ICT service provision are functional, consistent and reliable and that the costs of ICT are actively monitored. ICT here refers to the computer and communication hardware and infrastructure of Stern. Stern ICT is also engaged in the further professionalisation of the group's ICT, including security, cloud solutions and data continuity. Stern ICT is led by Richard Moeliker (ICT manager).

Stern SLC
stands for secretarial, legal & compliance. Stern SLC has an advisory, coordinating and supporting role in relation to various legal issues for both the Management Board and the operating companies of Stern. Stern SLC is also the contact point for all compliance-related issues within the group and oversees compliance with regulations. Lastly, Stern SLC provides the secretarial services for the company. Stern CRM is led by Bastiaan Geurts (director).

Stern VGM
manages the property portfolio owned and leased by Stern. Its activities range from regular maintenance to the preparation of multi-year maintenance plans, from coordinating renovations to guidance for complete new-build projects. Stern VGM supports and coordinates all issues relating to premises and construction for the group and maintains contacts with the relevant external suppliers. Stern VGM is led by Paul Snelting (property manager).

Dealergroup Stern
represents 17 leading brands and currently consists of around 57 points of sale and service. The management team consists of Henk van der Kwast (director), Dwight de Weerd, Huub van den Brule, Gerrit Klock, Matthieu Snel, Rob Visser and Finus Porsius.

Stern Mobility Solutions
focuses exclusively on financial and other mobility products and services not associated with car brands to small and medium-sized enterprises and the private market. SternRent and Stern Electric are part of Stern Mobility Solutions, and also manages the relationships with the partners ALD Automotive and Bovemij. Stern Mobility Solutions is led by Marco Vlaar (director).

Stern Car Services
aims to achieve national relevance with a network of larger car body repair branches under the name SternPoint. SternPoint also includes the activities of SternTec with respect to light commercial vehicle interiors. SternLogistiek and SternParts are also part of Stern Car Services. The management consists of Rob Visser (director), Guus Baris and Olivier Hoffmann.

Addresses

at 7 March 2020

Arend Auto Den Bosch

Stern Group

Stern Group	Pieter Braaijweg 6	Amsterdam

Stern Facility Services

Stern Facilitair B.V.	Amperestraat 65	Purmerend

Operation of fuel stations by third parties

Lukoil	Schermerhoek 523	Capelle a/d IJssel
Lukoil	Newtonweg 20/A	Gorinchem
Lukoil	Zeverijnstraat 18	Hilversum
Esso	Abr. Van Rijckevorselweg 75	Rotterdam
Lukoil	Deltalaan 217	Sliedrecht
TinQ	Hogeweyselaan 151	Weesp
Lukoil	Provincialeweg 47	Zaandam

Premises owned

Helderseweg 52	Alkmaar
Parelweg 11	Alkmaar
Ruimtevaart 30	Amersfoort
Radarweg 8	Amsterdam
Rumpsterweg 27	Bunnik
Zeverijnstraat 16	Hilversum
Waterveste 2	Houten
Warmoezenierstraat 17	Naaldwijk
Turbinestraat 2-4	Veenendaal
Hogeweyselaan 151	Weesp
Nijverheidslaan 1	Weesp
Hogeweg 8	Wormerveer
Oost-Indische Kade 7-9	Wormerveer
Provincialeweg 43	Zaanstad

Participating interests

Bovemij	Takenhofplein 2	Nijmegen

Dealergroup Stern

Stern 1

Mercedes-Benz/smart

Stern Auto	De Huchtstraat 10	Almere
Stern Auto	Ruimtevaart 30	Amersfoort
Stern Auto	Spinnerij 9	Amstelveen
Stern Auto	Burgemeester Stramanweg 110	Amsterdam
Stern Auto	Radarweg 8	Amsterdam West
Stern Auto	Ringwade 2	Nieuwegein
Stern Auto	Galileistraat 15	Veenendaal
SternTrucks	Ambachtsstraat 21	Nijkerk
SternTrucks	Eendrachtlaan 300	Utrecht
SternTrucks	Turbinestraat 2-4	Veenendaal

Luxury occasions

Stern Exclusief	Zeverijnstraat 16	Hilversum

Stern 2

Renault/Dacia/Nissan

Arend Auto	Nijverheidsweg-Noord 54	Amersfoort
Arend Auto	Nelson Mandelalaan 3	Den Bosch
Arend Auto	Europalaan 2	Eindhoven
Arend Auto	Waterveste 2	Houten
Arend Auto	Kraaivenstraat 30	Tilburg
Arend Auto	Kantsingel 24	Oss
Arend Auto	Ampèrestraat 51	Purmerend
Arend Auto	Franciscusdreef 74-76	Utrecht
Arend Auto	Dragonder 4	Valkenswaard
Arend Auto	Mountbattenweg 6	Veghel
Arend Auto	Pieter Ghijsenlaan 5	Zaandam

Stern 3

Ford

Ardea Auto	Klokkenbergweg 3-5	Amsterdam
Ardea Auto	Mercuriusweg 9	Den Haag
Ardea Auto	Mijlweg 73	Dordrecht
Ardea Auto	Newtonweg 20	Gorinchem
Ardea Auto	Leidsevaart 592	Haarlem
Ardea Auto	Smaragdlaan 5-15	Hoofddorp
Ardea Auto	Meer en Duin 72 A	Lisse
Ardea Auto	Warmoezenierstraat 21	Naaldwijk
Ardea Auto	Keyserswey 1	Noordwijk
Ardea Auto	Koperstraat 15	Rotterdam
Ardea Auto	Laagjes 4	Rotterdam
Ardea Auto	Jan Evertsenweg 6	Schiedam
Ardea Auto	Zwaardslootseweg 3	Zoetermeer

Stern 4

Volvo

Svala Auto	De Strubbenweg 8	Almere
Svala Auto	Arnoudstraat 3	Hillegom
Svala Auto	Leidsevaart 576	Haarlem
Svala Auto	Heerenweg 2	Katwijk
Svala Auto	Sydneystraat 9	Lijnden
Svala Auto	Rietschans 70	Leiderdorp
Svala Auto	Nijverheidslaan 1	Weesp
Svala Auto	Pieter Ghijsenlaan 5	Zaandam

Land Rover/Jaguar

Jager Auto	De Trompet 2999	Heemskerk
Jager Auto	Ampèrestraat 59	Purmerend

Alfa Romeo/Fiat/Abarth/Lancia/Jeep/Subaru

Vireo Auto	Nijverheidsweg-Noord 65	Amersfoort
Vireo Auto	Ringveste 4	Houten

Stern 5

Kia

Durmi Auto	Aambeeldstraat 5	Amsterdam
Durmi Auto	Helderseweg 52	Alkmaar
Durmi Auto	Van IJsendijkstraat 411	Purmerend
Durmi Auto	Hogeweg 8	Wormerveer
Durmi Auto	De Factorij 5	Zwaag

Opel/Mitsubishi

Havik Auto	Gedempt Hamerkanaal 43	Amsterdam
Havik Auto	Balkengracht 2	Assen
Havik Auto	Helderseweg 52	Alkmaar
Havik Auto	Rostockweg 12	Groningen
Havik Auto	Hogeweg 8	Wormerveer

Occasion outlets

Sten Occasion Center	De Strubbenweg 8	Almere
Sten Occasion Center	Europalaan 2	Eindhoven
Sten Occasion Center	Sydneystraat 11	Lijnden
Sten Occasion Center	Pieter Ghijsenlaan 5	Zaandam

Stern Car Services

Car body repair / light commercial vehicle interiors

SternPoint	Radarweg 8	Amsterdam
SternPoint	Schaafstraat 18 a	Amsterdam
SternPoint	Langs de Werf 1	Amstelveen
SternPoint	Nijverheidstraat 42	Bemmel
SternPoint	Moeskampweg 18	Den Bosch
SternPoint	Wismarweg 34	Groningen
SternPoint	Smaragdlaan 5-15	Hoofddorp
SternPoint	Nobelstraat 4	Harderwijk
SternPoint	Ringveste 2	Houten
SternPoint	Schoepenweg 29	Lelystad
SternPoint	Ambachtsstraat 23	Nijkerk
SternPoint	Netwerk 135	Purmerend
SternPoint	Aristotelesstraat 36	Rotterdam
SternPoint	De Lierseweg 13	Wateringen
SternPoint	Vrijheidweg 2	Wormerveer

Signage

SternSigning	Simon Stevinweg 20	Zwolle

Parts

SternLogistiek	Kaapstadweg 36	Amsterdam

Stern Mobility Solutions

Car rental

SternRent	Abraham van Stolkweg 130	Rotterdam
SternRent	Radarweg 8	Amsterdam
SternRent	Klokkenbergweg 3 - 5	Amsterdam
SternRent	De Huchtstraat 10	Almere
SternRent	Ruimtevaart 30	Amersfoort
SternRent	Blankenweg 22	Arnhem
SternRent	Belcrumweg 5 - 7	Breda
SternRent	Rietveldenweg 36	Den Bosch
SternRent	Ruyghweg 200	Den Helder
SternRent	Mercuriusweg 9	Den Haag
SternRent	Mijlweg 73	Dordrecht
SternRent	Europalaan 2	Eindhoven
SternRent	Rostockweg 12	Groningen
SternRent	Jadelaan 46	Hoofddorp
SternRent	Amperestraat 65	Purmerend
SternRent	Laagjes 4	Rotterdam
SternRent	Eendrachtlaan 300	Utrecht
SternRent	Provincialeweg 43	Zaandam
SternRent	Simon Stevinweg 20	Zwolle

E-mobility

Stern Electric Experience Center	Franciscusdreef 74	Utrecht

Colophon

This Annual Report is a publication of:
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