Press release

21 August 2018

Stern posts slightly lower net result in H1-2018

Stern Groep N.V., the Dutch listed automotive group, announces its results for the first half of 2018.

Key points in H1-2018

- **Net revenue amounted to € 587.2 million. Without the effect of IFRS 15, revenue was up 0.6%**
- **Operating profit (EBIT) came to € 7.8 million (H1-2017: € 8.2 million)**
- **Profit after tax was € 4.7 million (H1-2017: € 5.4 million)**
- **The lease portfolio showed further organic growth to reach 11,927 contracts at the end of June 2018 (an increase of 8.2% compared to year-end 2017 and 13.4% compared to the end of June 2017)**
- **The results of Dealergroup Stern were disappointing, especially in Q1-2018, due to margin pressure and high sickleave**
- **Dealergroup Stern achieved a market share for passenger cars of 5.4% (H1-2017: 5.9%). The market share for light commercial vehicles came to 7.3% (H1-2017: 7.5%)**
- **As a result of unusually high WLTP inventory, solvency stood at 23.5% at the end of June 2018 (year-end 2017: 25.5%)**
- **Net asset value per share rose to € 28.11 at the end of June 2018 (year-end 2017: € 28.08)**
- **Refinancing of property completed, contributing to € 9.0 million extra financing for growth of the lease portfolio**

Henk van der Kwast, Chief Executive Officer:

"*In line with the Fast Forward strategy, the Stern Mobility Solutions fleet continued to grow in the second quarter, meaning we are on track to achieve our target of 20,000 vehicles by the end of 2020. The financial figures for this year reflect the effects of the other Fast Forward projects only to a limited extent. All our efforts are devoted to further improving our services and reducing our operating expenses through the harmonisation and optimisation of our processes and systems. In addition to the good progress at Stern Mobility Solutions, progress is being made in the areas of the workshops, parts and SternPoint. There have been delays with respect to the central Customer Service Center and at digital IT. We are convinced that the financial performance of Stern Group will show a significant improvement after 2018.*"

Progress in H1-2018

Net revenue declined by 1.1% compared to H1-2017 to € 587.2 million. Stern applies IFRS-15 with effect from 2018. As a result, sales of cars for which Dealergroup Stern has concluded a repurchase commitment may no longer be recognised as revenue. Instead, these cars remain on the balance sheet and the margin is gradually credited to the result over the agreed term. The effect on revenue (which is lower) and the inventory (which is higher) amounted to € 11.3 million in H1-2018. Without this effect, net revenue would have risen marginally by 0.6%.

Due to a different composition of revenue (relatively higher after-sales), **gross profit** came to 17.1% of net revenue, compared to 16.4% in H1-2017. Despite lower revenue therefore, gross profit still showed a small increase.

Employee expenses rose significantly, by 7.2%. The collective labour agreement increase of 0.75% with effect from July 2017 and a further 1.80% with effect from 1 February 2018 caused an increase of approximately 2.30% in employee expenses. Employee expenses also increased by approximately 2.50% due to the acquisition of six car body repair businesses in mid 2017.

The remaining increase in employee expenses was mainly due to temporary hires of mechanics. Temporary hires of mechanics were needed due to very high absenteeism in Q1-2018, while demand for service remained constant.

Other operating expenses rose slightly by 4.0%, mainly due to the acquisition of the six car body repair businesses in 2017. **Operating profit** (EBIT) was slightly lower in H1-2018 at € 7.8 million (H1-2017: € 8.2 million).

Stern Mobility Solutions
The number of vehicles managed at Stern Mobility Solutions (SternLease, SternPartners and SternRent collectively) stood at 15,420 on 30 June 2018, an increase of 8.5% compared to year-end 2017. The Fast Forward target is 20,000 contracts by year-end 2020. The growth achieved in H1-2018 puts Stern Mobility Solutions well on track to achieve this.
The number of lease contracts at SternLease increased by 8.2% compared to year-end 2017 to 11,927 contracts, slightly outperforming the national development of the lease fleet in the Netherlands.
The proportion of diesel passenger cars in the lease fleet of SternLease declined further in H1-2018 to 22.5% at 30 June 2018. This mainly concerns the relatively clean Euro6 diesels (which emit far less NOx than the Euro5 diesels).
The **rental fleet** increased by 15.1% compared to year-end 2017 to 2,781 vehicles maintaining a relatively high utilisation ratio in H1-2018.

The **operating profit** of Stern Mobility Solutions was lower (10.6%) than in H1-2018.
There was still a positive residual value adjustment on the fleet in H1-2017, whereas this year the result of the residual value adjustment was result-neutral. The positive residual value adjustment on the petrol vehicles was offset by the negative residual value adjustment on the diesel vehicles in H1-2018. This negative adjustment concerns only diesel passenger cars. Diesel light commercial vehicles are unaffected by the negative sentiment concerning diesel.

Stern Car Services
This segment consists of SternPoint (car body repairs and small repairs) and SternTec (light commercial vehicle interiors). The activities of SternTec were operationally integrated into SternPoint in H1-2018. Light commercial vehicle interiors will from now on be offered at several different SternPoints. This integration has also realised immediate cost savings in the areas of premises and management.
Revenue at SternPoint was up 17.9% compared to H1-2017. The car body repair market in the Netherlands (based on Audatex calculations) was approximately 12.3% higher than in H1-2017, mainly due to a higher average repair bill per occurrence. Repair bills arising from collisions have increased due to the greater complexity of cars, mainly due to electronics.
The SternPoint network expanded with 6 new branches to 18 in H1-2017. The SternPoint branch in Geldrop was closed in Q2-2018. The activities have been moved to the branch in Den Bosch that was opened in 2017. This achieved immediate cost savings without any significant loss of revenue.
In order to remain profitable in the competitive car body repair market, car body repair facilities require a higher minimum capacity and 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 17. Stern Car Services aims to achieve national coverage with more than 20 larger car body repair facilities with carefully selected brand certifications on a geographical basis.
The **operating profit** of Stern Car Services was lower than in H1-2017, mainly due to the start-up losses of the six branches newly started in H1-2017 and as a result of the reorganisation expenses relating to the integration of SternTec into SternPoint.

Dealergroup Stern
253,000 new passenger cars were registered in the Netherlands in H1-2018, an increase of 10.8% compared to H1-2017. Only 27.2% of these registered cars were sold to private customers. The remainder was sold mainly to lease companies and rental companies. The proportion of cars sold to private customers in the Netherlands in H1-2017 was still 31.1%. Five years ago, the proportion sold to private customers was around 43%. 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 tighter margins on new passenger cars seen in 2017 and Q1-2018.
Dealergroup Stern achieved a market share in passenger cars of 5.4% in H1-2018, compared to 5.9% in H1-2017. The decline in market share was partly due to our cautious stance with respect to subscribing to tenders for supplies to large lease companies, which are usually associated with extremely limited residual margins.

44,000 new light commercial vehicles were registered nationally in H1-2018, an increase of 5.9% compared to H1-2017. Dealergroup Stern achieved a market share in light commercial vehicles of 7.3% in H1-2018, compared to 7.5% in H1-2017. If the sales of Dealergroup Stern are measured in relation to the car brands carried by Stern, market share increased to 9.7% from 9.6% in H1-2017.

Revenue at Dealergroup Stern was down 1.3%. Without the effect of IFRS 15 mentioned above (the repurchase commitments), revenue was up by 0.5%.
A number of direct measures were taken in Q1-2018 due to the additional margin pressure on sales of both new and used cars. Partly as a result of these measures, but also due to our more cautious approach to tenders for the large lease companies, the relative margin was restored in Q2-2018. Ultimately, the margin on sales, both absolute and relative, was slightly higher in H1-2018 than in H1-2017.
Revenue and the margin on after-sales (workshops and parts) increased. The first improvements at the workshops as a result of the implementation of Fast Forward were visible. The improvement of workshop productivity is on schedule.
Employee expenses were up 3.1% due to the collective labour agreement increases mentioned above, the hires of additional mechanics at the workshops and the acquisition of a Ford branch in Schiedam in April 2018. Immediately after this acquisition, the activities of the Ford branch in Rotterdam-Noord were moved to the new branch in Schiedam and the Ford branch of Ardea Auto in Rotterdam-Noord was closed. In May 2018, the Volkswagen operations of Heron Auto in Volendam were moved to the new premises in Purmerend opened in 2017 and the branch in Volendam was closed. The premises in Volendam will be sold.
Operating profit (EBIT) at Dealergroup Stern was much lower on balance than in H1-2017. If adjusted for the effect of the changed (and therefore higher) recharge of overhead costs with effect from 2018 from the holding company (the Other segment), operating profit remained unchanged.

Other
In the half-year figures for 2017, Mango Mobility was still recognised in the Other segment. With effect from the financial statements for 2017, Mango Mobility is recognised in the Stern Mobility Solutions segment. The comparative figures for H1-2017 have been adjusted to reflect this change.
The operating profit of the Other segment improved substantially, partly as a result of the changed system of recharge of the costs of the holding company to the segments with effect from 2018 and a book gain on the sale of property.

Balance sheet and solvency

The balance sheet total stood at € 679.9 million at the end of June 2018, up € 54.8 million on year-end 2017. This change includes:

- The effect of IFRS 15 (bringing cars sold with repurchase commitments onto the balance sheet) of € 12.9 million;
- The increase in the lease and rental portfolios of € 23.3 million;
- The increase in debtor receivables of € 23.6 million. Deliveries to lease companies are traditionally lower at the end of the calendar year compared to other quarter ends.

Compared to 30 June 2017, the **inventory of cars** at 30 June 2018 was substantially higher, up € 23.9 million, or 12.1%. This was due to a high level of deliveries of new cars to Dealergroup Stern from importers in Q2-2018. The BPM (vehicle tax) for all cars produced before 1 June 2018 can still be calculated according to the old NEDC measurement method for CO_2 emissions. Virtually all cars produced since 1 June 2018 fall under the new WLTP method for calculating the BPM. The new method usually leads to a higher BPM. Dealergroup Stern anticipated this change and purchased a large number of cars in time for which the BPM is expected to increase substantially. This led to a temporary increase in the balance sheet, which in turn pressured the solvency ratio.

Group equity increased by € 0.2 million to € 159.6 million at the end of June 2018. The increase compared to year-end 2017 included an addition of € 4.7 million from profit and a reduction of € 4.3 million due to distribution of the final dividend for 2017 in June 2018.
The solvency ratio of Stern Group at the end of June 2018 stood at 23.5% (year-end 2017: 25.5%). Based on a standard solvency ratio for the car leasing operations of 12.5% and for car rental operations of 20.0%, the solvency of the other activities at the end of June 2018 came to 31.7%, compared to 34.0% at year-end 2017.

The excess solvency at the end of June 2018 stood at € 5.0 million negative (after distribution of the final dividend). The excess solvency is expected to return to a positive value after the additional inventory of cars is reduced.

Refinancing of property

A large part of the property portfolio was refinanced again in Q2-2018. The interest terms are slightly more favourable, and the loan-to-value has sharply increased. Partly as a result, approximately € 9.0 million of additional finance has become available for growth of the lease portfolio Stern Mobility Solutions. The refinancing included an agreement that the proposed new-build of a dealership for which construction will begin in 2019 will be financed on equal terms.

Outlook

As a result of the gradual improvement in margins at Dealergroup Stern, the continuing growth at Stern Mobility Solutions, the improvements at Stern Car Services and the implemented cost savings, the profit before tax in 2018 will be higher than the profit realised in 2017.
The positive results of Fast Forward will be visible in 2018, especially at Stern Mobility Solutions, the workshops, including SternPoint, and at SternParts. Delays in the implementation of the central Customer Service Center, including CRM based on a central database, will mean that the benefits of this will be shifted to 2019 and subsequent years. The potential improvement as a result of Fast Forward is also still in place, also after review and reassessment. The improvement in the financial performance of Stern Group will accelerate in 2019 and 2020.

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

Profile of Stern Groep N.V.
Stern is a large Dutch mobility group that has been listed on Euronext Amsterdam since 2000. Since then, the intended significant growth has been realised in the major car-intensive regions of the country: North and South Holland, Utrecht and North Brabant. The network has more than 100 branches with approximately 2,200 employees, and collectively realises net annual revenue (excluding BPM) in excess of € 1 billion.
Stern believes in individual mobility, sustainability and diversity. For this reason, it offers a wide variety of car brands and additional mobility services. For those preferring a means of transport other than a car, Stern now offers electric 2-, 3- and 4-wheel transport solutions with speeds of up to 45 kilometres an hour via Mango Mobility.
With Stern Mobility Solutions, Stern is engaged in services including car leasing (SternLease), rental (SternRent), fleet management (SternPartners), insurance (SternPolis), finance (SternCredit) and extended guarantees (SternGarant).
Stern Mobility Solutions manages approximately 14,000 vehicles and more than 60,000 contracts.
With a growing network of currently 17 branches, the Stern Car Services division offers services in the area of (brand-certified) repairs, universal after-sales and the intake and provision of rental cars (SternPoint).
Dealergroup Stern has five clusters representing several leading brands such as 1) Mercedes-Benz, 2) Renault and Nissan, 3) Ford, 4) Volvo, Land Rover and Fiat, 5) Volkswagen, Audi, Kia and Opel. Dealergroup Stern has a total of approximately 85 branches.

Appendix: Financial report for the period 1 January 2018 to 30 June 2018

1. Consolidated statement of income for the period 1 January 2018 to 30 June 2018

(amounts x € 1,000)

	H1-2018	H1-2017
Net revenue	587,241	593,876
Cost of sales	(486,733)	(496,513)
Gross profit	100,508	97,363
Other income	5,826	3,921
Employee expenses	(63,658)	(59,400)
Amortisation of intangible assets	(30)	(30)
Depreciation of property, plant and equipment	(3,744)	(3,785)
Other operating expenses	(31,097)	(29,895)
Operating profit (EBIT)	7,805	8,174
Result from associates	113	36
Financial income and expenses	(2,088)	(1,622)
Profit/(loss) before tax	5,830	6,588
Income taxes	(1,158)	(1,171)
Profit after tax (attributable to the shareholders of Stern Groep N.V.)	4,672	5,417
Earnings per share		
Weighted average number of outstanding shares	5,675,000	5,675,000
Earnings per share based on profit after tax	€ 0.82	€ 0.95
Earnings per share – diluted – after tax	€ 0.82	€ 0.95

2. Consolidated statement of comprehensive income for the period 1 January 2018 to 30 June 2018
(amounts x € 1,000)

	H1-2018	H1-2017
Profit after tax (attributable to the shareholders of Stern Groep N.V.)	**4,672**	5,417
Other comprehensive income		
Unrealised results to be transferred to the statement of income in following periods:		
Effective portion of changes to the cash flow hedge	**(285)**	747
Income taxes	**71**	(187)
Income and expenses not recognised in the statement of income	**(214)**	560
Total comprehensive income after tax (attributable to the shareholders of Stern Groep N.V.)	**4,458**	5,977

3. Consolidated statement of financial position at 30 June 2018

(amounts x € 1,000)

	30 June 2018	31 December 2017
ASSETS		
Non-current assets		
Intangible assets	**30,602**	30,502
Property, plant and equipment	**319,286**	297,056
Investments in associates	**1,066**	976
Other financial assets	**14,514**	13,638
Deferred tax assets	**19,684**	20,288
	385,152	362,460
Current assets		
Inventory	**234,510**	227,208
Trade receivables	**48,139**	24,568
Prepayments and accrued income	**10,937**	9,661
Cash and cash equivalents	**1,126**	1,216
	294,712	262,653
Total assets	**679,864**	625,113

	30 June 2018	31 December 2017
LIABILITIES		
Equity (attributable to shareholders of Stern Groep N.V.)		
Issued capital	593	593
Share premium reserve	114,734	114,734
Other reserves	35,077	33,740
Revaluation reserve	5,350	4,688
Unallocated result	3,796	5,593
	159,550	159,348
Non-current liabilities		
Interest-bearing loans	240,001	206,444
Provisions	1,447	1,447
Advance receipts from lease and warranties	1,119	1,303
	242,567	209,194
Current liabilities		
Interest-bearing loans	99,873	97,688
Provisions	629	640
Trade and other payables	146,049	134,362
Derivatives	569	285
Tax and social security contributions	6,718	4,068
Other payables, accrued liabilities and deferred income	23,909	19,528
	277,747	256,571
Total equity and liabilities	679,684	625,113

4. Condensed statement of changes in equity in the period 1 January 2018 to 30 June 2018
(amounts x € 1,000)

Period 1 January 2018 to 30 June 2018

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

Period 1 January 2017 to 30 June 2017

	Issued capital	Share premium reserve	Other reserves	Revaluation reserve	Unallocated result	Total
Balance at 1 January 2017	593	114,734	27,772	2,252	11,643	156,994
Profit/(loss) after tax	–	–	–	1,906	3,511	5,417
Other comprehensive income after tax	–	–	–	560	–	560
Total comprehensive income	–	–	–	2,466	3,511	5,977
Result appropriation	–	–	11,643	–	(11,643)	–
Cash dividend	–	–	(4,256)	–	–	(4,256)
Balance at 30 June 2017	**593**	**114,734**	**35,159**	**4,718**	**3,511**	**158,715**

5. Condensed consolidated cash flow statement for the period 1 January 2018 to 30 June 2018

(amounts x € 1,000)

	H1-2018		H1-2017	
Profit before tax	**5,830**		6,588	
Adjustments for:				
Result from associates	**(113)**		(36)	
Net interest expense	**-**		(130)	
Depreciation	**27,856**		24,249	
Contribution to/ (withdrawal from) allowances	**(11)**		(379)	
Other changes	**(18,035)**		(2,283)	
Cash flow from operating activities		**15,527**		28,009
Net investment in property, plant and equipment and financial non-current assets	**(46,672)**		(47,376)	
Acquisitions	**(431)**		(703)	
Cash flow from investment activities		**(47,103)**		(48,079)
Dividends paid	**(4,256)**		(4,256)	
Change in interest-bearing loans	**35,742**		24,268	
Cash flow from financing activities		**31,486**		20,012
Movement in cash		**(90)**		(58)
Balance of cash and cash equivalents at beginning of period	**1,216**		993	
Balance of cash and cash equivalents at end of period	**1,126**		935	
Movement in cash		**(90)**		(58)

6. Notes to the financial report for the period 1 January 2018 to 30 June 2018

General

Stern Groep N.V. has its registered office at Amsterdam, the Netherlands. This interim financial report is prepared in accordance with IAS 34 Interim financial reporting as adopted in the European Union. This report does not contain all the information required for full financial statements and should be read in combination with the consolidated 2017 financial statements. The accounting policies applied by Stern Groep N.V. in this financial report are the same as those applied in the consolidated financial statements for 2017, with the exception of changes to IFRS that took effect on 1 January 2018. The 2017 financial statements of Stern Groep N.V. are available at www.sterngroep.nl.

This financial report has been prepared by the Management Board on 21 August 2018. The figures in this report have not been audited. All amounts are expressed in thousands of euros.

Changes to IFRS

The following standards apply with effect from the 2018 financial year and have been applied in the preparation of the financial report on the period 1 January to 30 June 2018:

IFRS 9 Financial instruments is the new standard for financial instruments that replaces IAS 39 Financial instruments. IFRS 9 had no material effect on the recognition of financial instruments in H1-2018.

IFRS 15 Revenue from contracts with customers is the new standard for revenue recognition. Based on the specific provisions of IFRS 15 regarding repurchase agreements, the full revenue for these sale transactions is no longer recognised directly and there are no longer repurchase commitments that are not recognised in the statement of financial position. Under IFRS 15, these transactions are recognised as operating leases with effect from 1 January 2018. The balance sheet total has accordingly increased by € 12.9 million by capitalising these cars under inventory and the recognition of the associated repurchase commitment under Other payables, accrued liabilities and deferred income. In the statement of income, the revenue and the cost of car sales declined € 11.3 million in H1-2018. The transition to IFRS 15 is effected according to what is known as the adjusted retrospective method: the system change has been effected on 1 January 2018, but the comparative figures are not adjusted.

Future changes to IFRS

The following relevant standard was issued on the date of publication of this financial report from Stern Groep N.V. but has not yet come into effect:

IFRS 16 Leases is the new standard for leases and replaces the current IAS 17 Leases. The most important change is that this new standard prescribes that lessees recognise a user right and a lease obligation for most lease contracts in their statement of financial position. IFRS 16 Leases is expected to have a material effect on the consolidated statement of financial position of Stern Groep N.V. The right of use for leased business premises and other operating assets will be recognised in the statement of financial position along with the present value of the lease obligation, the net effect of which will be a higher balance sheet total and lower solvency. Under IFRS 16 Leases, the rental costs will be divided between amortisation on the user right and the interest expense, as a result of which the ICR will rise. Whether the effects will be processed with effect from 1 January 2019 according to the retrospective method or the adjusted retrospective method has not yet been decided.

Segment reporting

The segmentation of revenue and the operating profit is shown in the table below: The reporting segments are Dealergroup Stern, Stern Mobility Solutions (SternLease, SternRent and SternPartners and Mango Mobility), Stern Car Services (SternPoint and SternTec) and Other. The comparative figures for H1-2017 have been adjusted to enable comparison. For an explanation of the segmental analysis, see note 2 Segmental Analysis in the 2017 consolidated financial statements.

	Revenue		Operating profit	
	H1-2018	H1-2017	**H1-2018**	H1-2017
Dealergroup Stern	**560,463**	568,003	**3,714**	4,843
Stern Mobility Solutions	**87,969**	87,312	**4,420**	4,943
Stern Car Services	**17,971**	15,241	**(417)**	(333)
Other	**-**	135	**88**	(1,279)
Revenue to segments	**(79,162)**	(76,815)	**-**	-
Total	**587,241**	593,876	**7,805**	8,174
Income from associates			**113**	36
Financial income and expenses			**(2,088)**	(1,622)
Profit/(loss) before tax			**5,830**	6,588
Income taxes			**(1,158)**	(1,171)
Profit/(loss) after tax			**4,672**	5,417

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

	Assets		Liabilities	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Dealergroup Stern	**313,347**	280,667	**241,750**	198,012
Stern Mobility Solutions	**293,047**	265,169	**227,689**	203,230
Stern Car Services	**8,287**	8,320	**7,999**	7,808
Other	**65,183**	70,957	**42,876**	56,715
Total	**679,864**	625,113	**520,314**	465,765

Goodwill
The goodwill consists mainly of goodwill acquired through business combinations. For the purpose of the test for impairment, goodwill acquired due to business combinations is allocated to the individual cash-generating units Dealergroup Stern and Stern Mobility Solutions. The impairment test at 31 December 2017 shows that even significant changes to the assumptions used for the segments Dealergroup Stern and Stern Mobility Solutions will not lead to an impairment of the goodwill. Further analysis of the goodwill did not lead to any adjustment to the valuation.

Prepayments and accrued income
Other receivables includes a receivable of € 0.4 million in relation to the ESF subsidy for the period March 2009 through July 2011. The total subsidy for this period is € 0.7 million, € 0.3 million of which has already been 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.

Related party disclosures
No material transactions took place with related parties in the first half of 2018. All transactions between Stern Groep N.V. and related parties are effected on the basis of market prices.

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

In the preparation of this financial report, the usual judgements formed by the Management Board in the application of the accounting policies of Stern Groep N.V. and the sources of estimates used are the same as those used in the preparation of the consolidated financial statements for 2017. We also refer to note 31 in the 2017 financial statements of Stern Groep N.V., which relates to financial risk management at Stern Groep N.V.
No significant changes occurred in the first half of 2018.

Statement by the Management Board

Pursuant to statutory provisions, the Management Board states that as far as it is aware:

1. The financial report is prepared on the basis of IAS 34 and gives a true and fair representation of the assets, liabilities, financial position and result for the period 1 January 2018 to 30 June 2018 of Stern Groep N.V. and the companies included in the consolidation;
2. The financial report presents a true and fair picture of important events occurring in the period 1 January 2018 to 30 June 2018 and the effects thereof on the financial report, together with a description of the principal risks and uncertainties facing Stern Group and major transactions with related parties.