



D'IETEREN AUTO

BELGIAN MARKET LEADER
IN VEHICLE DISTRIBUTION



Volkswagen



Commercial
Vehicles



BENTLEY



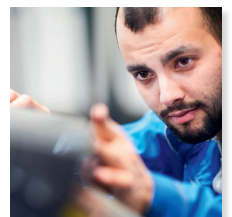
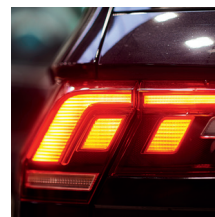


WHAT WE DO

Boasting an almost 70-year old relationship with the Volkswagen group, D'leteren Auto imports and **distributes the vehicles** of Volkswagen, Audi, SEAT, Škoda, Bentley, Lamborghini, Bugatti and Porsche across Belgium, along with spare parts and accessories.

It is the country's number one car distributor, with a market share of around 22% and 1.2 million vehicles on the road. D'leteren Auto manages a network of some 125 independent dealers and corporately owns 21 locations, mainly on the Brussels-Antwerp axis.

It also sells **used vehicles** through 8 corporately-owned My Way centres and some 132 dealerships affiliated to the My Way Authorized Distributors network. In addition, D'leteren Auto provides car financing and long-term car rental services through a joint venture between D'leteren and Volkswagen Financial Services. Finally, it distributes the products of Yamaha in Belgium and the Grand Duchy of Luxembourg through **D'leteren Sport**.



A close-up portrait of Denis Gorteman, a middle-aged man with grey hair and a beard, wearing a blue suit jacket over a white shirt. He is looking slightly to the right with a gentle smile. The background is a soft, out-of-focus blue.

INTERVIEW WITH

DENIS GORTEMAN

CEO OF D'IETEREN AUTO

PLAYING OUR PART IN THE MOBILITY OF THE FUTURE

We wanted this to be a historic Motor Show for us and it was, thanks to the work of our teams both at D'Ieteren Auto and in our network.

You harboured high ambitions for the 2016 Motor Show. How did it go for D'Ieteren Auto?

We wanted this to be a historic Motor Show for us and it was, thanks to the work of our teams both at D'Ieteren Auto and in our network. It was the second-most-successful Motor Show in our history, with orders up in excess of 20% on comparable periods in 2014 and 2015. This performance is all the more remarkable when you consider that our teams had to work in a highly unusual context. Not only did the "Emissiongate" hit the Volkswagen group at the end of September 2015, but there

was also a second shock wave in November related to concerns about irregularities in the CO₂ emissions of certain vehicles that we distributed. The timing was particularly bad, because November is the month when our teams prepare for the Motor Show, the outcome of which suddenly looked uncertain.

We began our preparation by assuming our responsibilities to the network, by absorbing the sales lost at the end of 2015 (D'Ieteren Auto twice suspended the sale of certain vehicles). This was aimed at maintaining the motivation of our sales teams. We then refused to cut prices, based on the argument that our vehicles

had kept their value. Instead, we focused on the offer of services. Of particular note was the "Wecare" initiative, which offered 10,000 buyers of our new cars a free two-year maintenance contract. We were also able to count on the loyalty and confidence of our customers and the absolute commitment of our dealers, whom I would like to thank.



In April 2016, in the wake of the “Emissiongate” began the recall of around 300,000 vehicles that were equipped with a non-compliant software in Belgium. Where do things stand today?

First of all, I should remind you that the Volkswagen group had to develop a considerable number of technical solutions, each of which have to be approved by the KBA, Germany’s federal automobile sector regulator. Progress was therefore somewhat slow. Because of this, for most of 2016, we only had access to around one quarter of these solutions. The Volkswagen group nevertheless committed itself to making all of them available before the end of 2016. At that point, more than 50,000 vehicles had been made compliant in Belgium. By the end of February 2017, this figure had reached more than 100,00 vehicles. All our efforts are now focused on making all vehicles compliant, with a firm determination to complete the process in 2017.

The updates completed so far have all been successful. We have also implemented a range of practical solutions for certain customers. After equipping a Volkswagen Crafter with computers, we were able to update the non-compliant software in large vehicle fleets, those of rental companies for example, thereby avoiding the need to book every vehicle into a dealer.

Let’s now take a look at the three most important strategic priorities.

To start with, what about the overhaul of the independent dealer network, the “Market Area” project?

In 2016, we created 21 Market Areas, out of a total of 26, bearing in mind that our initial target was 14. This is excellent news for two reasons: first, the network has taken on board our strategy and is committed to implementing it. We will now be able to lean on this new network to build for the future, which will comprise more electric vehicles and more autonomous and shared cars. This market transformation will inevitably have an impact on sales and after-sales services. We therefore needed to make ourselves stronger and to pave the way for these evolutions. The Market Area strategy creates a more coherent approach for our five main brands within each area, but it also makes our internal organisation more efficient, by making a whole range of services and approaches more transversal. This has led to the setting up of several committees, whose aim is very clear: to take a more network-focused approach at all levels. The network expresses a need, we analyse it, then develop a solution that we implement for the network. As an importer, D'Ieteren Auto considers the 26 Market Area Leaders as its first customers. In this new context, a key event in 2017 will be the implementation of a new 360-

degree Customer Relationship Management (CRM) tool. In fact, this is more than a simple tool, it’s a state of mind. In the past, each brand had its own customers. But in our new strategy, these customers are all customers of D'Ieteren Auto.

Another example of this transversal approach is the Gaïa project. Handing over the network to 26 Market Area Leaders significantly increases our financial risk because it is less evenly spread than before. We therefore needed to take additional measures to offset this risk. Dealers can now pay cash for any purchase from D'Ieteren Auto. In exchange, we offer a discount and financing terms via our joint venture Volkswagen D'Ieteren Finance. This is an important project for us and it’s been fully embraced by our dealers. The upshot has been an average reduction of D'Ieteren Auto’s capital requirement of around EUR 70 million. I’m happy to say that the project was implemented flawlessly despite its complexity, thanks to the hard work and efficient collaboration of many different teams.

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The second prong of your strategy is Pole Position, which aims to reorganise D'Ieteren Auto's own dealerships in the Brussels region.

So far, we have relocated the activities of the Vilvorde, Fort-Jaco, Expo, Stockel, Meiser, Woluwe and Bentley/Lamborghini Zaventem sites. Last year, we opened a new hub, the Auto Center Zaventem, which brings our four main brands under one roof. In terms of sales contracts, D'Ieteren Auto's retail activity is growing faster than the national average. In financial terms, the losses of the D'Ieteren Car Centers have been reduced by two thirds compared with 2013. As a reminder, the aim of Pole Position is to achieve financial breakeven at the D'Ieteren Car Centers by the end of 2018. Barring unforeseen circumstances, this target should be achieved.

Pole Position is not only a question of physical reorganisation, it's also a new approach to thinking about the services we provide to our customers. An example of

this reflection is our "Twin" service, which consists of having two technicians work on a car simultaneously in order to reduce the waiting time for the customer. Our commitment is to return the customer's keys within the hour. After a successful test phase, the service is gradually being rolled out in all D'Ieteren Car Centers, the aim being to then offer it across the network. Another example is our Pre-Delivery Inspection service, which subjects all cars to a range of tests and updates prior to their delivery to customers. In the past, this work was carried out by individual dealerships in the retail network. Our aim is to ensure that from now on, all this work will be done at our large distribution centre in Erps-Kwerps, thereby enabling huge gains in terms of efficiency, time-saving and costs.

Last year, you announced the construction of a new bodywork centre. How is this progressing? What new initiatives has D'Ieteren Auto launched in the bodywork business?

The construction of the new bodywork centre – which will serve the entire Brussels region – began in November 2016 and the site should open in early-2018. The new facility will offer state-of-the-art technology and be able to process up to 10,000 repairs a year.

Our objective for the bodywork activity is to build a franchise (Wondercar) along the lines of our My Way used-car service. We have therefore defined a set of standards that our dealers must comply with. This will reassure our insurers and customers that they can expect a quality of repair and service that is consistent with the standards of the brand. This national bodywork franchise – the first of its kind in Belgium – will offer both traditional repair techniques and smart repair technologies.





The idea for this franchise was born out of a simple observation: technological improvements to vehicles and the reduction of average speeds are leading to a steep drop in the number of accidents, and therefore also to lower demand for body repairs. We already know that this market is going to contract by at least 35% over the next ten years. Faced with this reality, we need to be sure of three things:

- That our dealers use the latest techniques and that their staff are well trained;
- That we all have the requisite communication tools with insurers to reduce their management costs;
- That our services adequately cover the needs of our brands' customers.

We are therefore heading towards a reduction in the number of bodywork centres, which offer a wider range of services and expertise and that are under the umbrella of a national franchise. In the future, a maximum of some 40 bodywork centres

throughout Belgium should be more than sufficient to cover customer demand.

The third arm of your strategy is the logical extension of the first two: the overhaul of your internal structure (Powered by You). Last year, you announced the setting up of six business units.

The six units were created in 2016. When we exclude the retail arm, Volkswagen D'Ieteren Finance and the roughly 200 people working in the spare parts and accessories warehouse, D'Ieteren Auto has around 800 employees. Since January 2016, around 90% of them have changed their place of work and/or are working in a different hierarchy. That is a considerable number. But what do we see when we look back on 2016? Sales and after-sales were extremely buoyant, our results improved and 74.5% of employees recommended D'Ieteren Auto as an employer... all in a climate that was overshadowed by the "Emissiongate"! To achieve such dramatic changes, with such impressive results, and

all in a context that is unusual to say the least, is quite an achievement. So I would like to thank here all our people for their energy and commitment.

D'Ieteren Auto's new Human Resources policy – "Dream Driver" – fits within this context of change.

A Human Resources policy doesn't emerge from nothing, it forms part of a wider corporate strategy. Our Human Resources department accompanies the changes that we've discussed here, particularly in terms of ad hoc training, a new classification of internal functions, a reflection on our positioning on the employment market and wider use of social networks for recruitment.

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We must identify the skills we need to acquire, the modes of operation we need to adopt and the structures we need to build in order to become a player in the 21st century mobility.

To sum up, what are your priorities for 2017?

First of all, we need to build on all of the changes that we've implemented so far to encourage the growth of our brands in Belgium. This in turn will lead to the setting of clear market share targets. The combined effect of the initiatives we've discussed and the launch of attractive new models (e.g. Volkswagen Arteon, T-Rock and Crafter, ŠKODA Kodiaq, SEAT Ateca and Arona and Porsche's new Cayenne and Panamera Sport Turismo) should enable us to meet these objectives. Then we will need to adapt to the changes to the taxation of company vehicles announced by the Belgian government in 2016.

We also need to look further into the future. Now that our three major projects (Market Area, Pole Position and Powered by You) are underway, it's time to take a closer look at what's happening around us today. The world is changing rapidly and we can already see several disruptive trends on the horizon. This realisation led to the creation of our "D'leteren Mobility" initiative, the idea being to define the role that D'leteren Auto should play in tomorrow's mobility. We know that the future will be more electric, more autonomous and more sharing-based, and this requires an in-depth reflection on how our business model should evolve. We must identify the skills we need to acquire, the modes of operation we need to adopt and the structures we need to build in order to become a player in the 21st century mobility. The first milestone was reached with the signing of a partnership with Drivy, Europe's leading car rental platform for private customers.



(EUR million)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
New vehicles delivered (in units)	120,774	119,967	99,241	117,951	136,199	120,157	112,877	111,667	114,978	122,489
External revenue	2,642.4	2,679.4	2,453.8	2,732.9	3,208.3	2,787.3	2,627.4	2,660.5	2,874.2	3,114.2
Adjusted operating result ^{1,2}	98.7	88.5	65.8	92.6	114.9	54.2	46.7	53.3	66.5	75.8
Adjusted operating margin	3.7%	3.3%	2.7%	3.4%	3.6%	1.9%	1.8%	2.0%	2.3%	2.4%
Adjusted result, group's share										
before tax ^{1,2,3}	74.7	60.6	42.9	64.9	92.7	52.5	47.1	52.5	74.5	84.2
after tax ^{1,2}	65.2	59.3	41.9	62.0	98.0	48.5	43.0	49.7	74.3	86.7
Average workforce (average full time equivalents)	1,601	1,650	1,565	1,584	1,685	1,587	1,601	1,606	1,580	1,610

REVENUE AND ADJUSTED OPERATING RESULT¹ (EUR million)



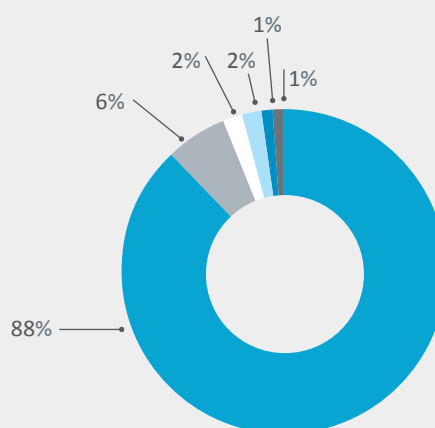
NEW CAR REGISTRATIONS IN BELGIUM AND MARKET SHARE OF D'IETEREN AUTO



REVENUE EVOLUTION BY ACTIVITY

(EUR million)	2015	2016	Change
New vehicles	2,512.8	2,731.8	+8.7%
Spare parts and accessories	180.4	185.4	+2.8%
D'Ieteren Car Centers (after-sales)	83.9	83.3	-0.7%
Used vehicles	46.1	53.9	+16.9%
D'Ieteren Sport	25.5	28.0	+9.8%
Other	25.5	31.8	+24.7%
D'IETEREN AUTO	2,874.2	3,114.2	+8.4%

REVENUE BREAKDOWN BY ACTIVITY (2016)



1. Excluding adjusting items. (APM - see glossary on page 48).

2. The Automobile Distribution segment includes all costs related to the corporate activities.

3. Following the creation of Volkswagen D'Ieteren Finance, whose results are accounted for using the equity method (and therefore excluded from external sales and from adjusted operating result), and in order to reflect all the group's activities, the adjusted result before tax, group's share, includes from 2012 the group's share in the adjusted result before tax of the entities accounted for using the equity method.

NEW MODELS



Volkswagen

VOLKSWAGEN

ARTEON

In addition to a new and very emotive outline, Volkswagen is also introducing with the Arteon a highly expressive, horizontally accentuated brand look. The totally new developed model is positioned above the Passat and emphasises emotionality in the upper mid-class.



AUDI

Q5

The SUV with the four rings combines the sportiness of an Audi saloon with a multifaceted character and a highly flexible interior. The second generation of the successful model is even sportier and more multifaceted. Whether in its connectivity, efficiency or driver assistance systems, the new Audi Q5 once again sets standards in its segment.





SEAT

IBIZA

With over 5.4 million units sold, the Ibiza has become an icon of SEAT. The 5th generation is a completely new model that was created with very ambitious goals in mind: to go a major step ahead in safety, design, performance and comfort. It is loaded with the latest technology features, outstanding dynamics, and an impressive improvement in interior space and comfort.



ŠKODA

ŠKODA

KODIAQ

With a length of 4.70 m, up to seven seats and the largest boot within its class, the ŠKODA KODIAQ is the Czech car manufacturer's first large SUV. It presents itself with all of the brand's strengths: a design that is full of character, extraordinary interior space, practical intelligence and innovative technology that can otherwise only be found in higher vehicle classes.





BENTLEY

BENTLEY

CONTINENTAL SUPERSPORTS

Bentley launches its fastest and most powerful production model to date: the new Bentley Continental Supersports. The Supersports name is legendary at Bentley. It is a name which excites, impassions and thrills. It is the world's fastest four-seat car ever.



LAMBORGHINI

AVENTADOR S LP 740-4

The new Lamborghini Aventador S is characterized by new aerodynamic design, redeveloped suspension, increased power and new driving dynamics. The 'S' is the suffix of previous enhanced Lamborghini models and defines a new benchmark for the V12 Lamborghini. The design of the new Aventador S is clearly an indication for the new Aventador generation.





PORSCHE

PORSCHE

PANAMERA 4 E-HYBRID

With a maximum total system power of 462 hp (340 kW), the new Panamera 4 E-Hybrid is going to change your perception of hybrid technology. Just as it will your everyday life. Pure sports car performance: acceleration from 0 to 100 km/h in only 4.6 seconds and a top speed of 278 km/h. And that's despite a fuel consumption of just 2.5 l/100 km.



YAMAHA

MT 09

The MT09 is equipped with an advanced triple cylinder engine that delivers ample power and torque combined with playful handling. For 2017 the bike has a redesigned intimidating front and shortened rear for more aggressive looks. It now offers Traction Control, Quick Shifter and adjustable riding modes to take your Hyper Naked riding experience to a whole new level.

