

# D'IETEREN AUTO



## WHAT WE DO

As part of its 70-year old relationship with the Volkswagen Group, D'Ieteren 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 vehicle distributor, with a market share of around 21% and 1.2 million vehicles on the road. D'Ieteren Auto manages a strong network of independent dealers across the country and corporately owns about 20 locations, mainly on the Brussels-Mechelen-Antwerp axis.

Besides distributing vehicles in Belgium, D'Ieteren Auto provides after sales services through its Corporate-owned operations. These include bodywork, maintenance and repair, glass repair and tyre replacement. It also sells used vehicles through My Way centres and My Way Authorized Distributors. In addition, D'Ieteren Auto provides car financing and long-term car rental services through a joint venture between D'Ieteren and Volkswagen Financial Services. Finally, it distributes the products of Yamaha in Belgium and the Grand Duchy of Luxembourg through D'Ieteren Sport.

D'Ieteren Auto's business model is currently evolving towards supporting citizens' social life through a more fluid, accessible and comfortable mobility. The company is bringing great focus on supporting responsible mobility, mainly through the initiatives of its recently launched subsidiary, Lab Box.



Volkswagen



SEAT



ŠKODA



BENTLEY



PORSCHE







MESSAGE FROM

# DENIS GORTEMAN

CEO OF D'IETEREN AUTO

Mobility is evolving, D'Ieteren Auto too.

2017 WAS MARKED BOTH BY OUR ONGOING EFFORTS TO STRENGTHEN OUR CORE BUSINESS AND BY OUR SEARCH FOR INNOVATIVE NEW MOBILITY SOLUTIONS.

*In 2017 we focused on strengthening our business*, because although VW remains the number one car brand in Belgium, with around 21.3%<sup>1</sup> of the market, we aim to gain even more ground. To achieve this, we have implemented several initiatives since 2014 designed to reinforce our dealership network.

The investments carried out on this network, particularly those in the Brussels region, are good examples of the reinforcement strategy pursued since 2014. They include the construction of a new state-of-the-art bodywork centre in Drogenbos, the anchoring of our position along the key Mechelen-Antwerp commercial axis, the roll-out of our network consolidation strategy and the setting up of solid partnerships with our main dealerships.

As part of our ongoing efforts to improve the customer experience, we have applied several levers – an example being the launch of a new CRM platform – with the aim of providing customers with the right information at the right time through the channel of their choice, thereby laying the groundwork for a positive relationship that is relevant to their needs.

We began drawing up a roadmap that responds to a new reality; that the image of an automobile brand is now also built around the range of electric vehicles and the quality of associated services on offer. To ensure that our commercial efforts are persuasive and therefore successful, we are developing a comprehensive mobility package that includes a recharging service for the home or the office.

*In 2017 we began to explore our options in response to the sweeping changes occurring in the mobility sector.* We have started to consider new mobility solutions including carpooling. We created a subsidiary, Lab Box, for this very purpose. It supports us in exploring, analysing and developing innovative mobility-related services. In January 2018, Lab Box launched Poppy, a car-sharing service for vehicles with low or zero emissions, based in Antwerp. Poppy could soon be rolled out in other towns and cities. Other initiatives are currently in development, with the accent on shared mobility and intermodality.

Mobility is evolving, D'Ieteren Auto too. Our vision for 2025 is to improve the lives of our citizens by providing mobility that is more fluid, more accessible and more comfortable. This opens a new chapter in the history of our Company and we will write it with passion and determination, in the same spirit as our predecessors who began building D'Ieteren 200 years ago. I am convinced that the talent and energy of our teams will breathe life into these ambitions.

<sup>1</sup> In order to present a more accurate snapshot of the automobile market, Febiac, the Belgian Federation for the Automobile, Motorcycle and Bicycle Industries, publishes market statistics that exclude car registrations of less than 30 days.

## BUSINESS ENVIRONMENT

### A SOLID PERFORMANCE IN THE FACE OF NEW CHALLENGES

D'leteren Auto achieved market share of 21.3% in 2017, slightly down from 21.8% in 2016. The decline is primarily due to two factors: on the one hand, the upgrade to the VW Polo effectively took the model off the market for six weeks, and on the other, the VW Group's offer in the fast-growing SUV segment was narrower than that of competitors. Since end-2017, the range of SUVs in the brands we distribute – which includes the Audi Q2, Q3, Q5 and Q7, the Škoda Kodiaq, the VW Tiguan and the SEAT Ateca – has been expanded to include already-in-demand models like the SEAT Arona, the VW T-Roc and the Škoda Karoq. This should allow D'leteren Auto to benefit fully from the growth from the SUV segment.

In 2017, for the first time in twenty years, sales of petrol cars outstripped those of diesel vehicles. This trend was accompanied by higher sales of hybrid and electric vehicles. The Belgian law concerning the tax deduction for hybrid vehicles will only apply to one model (a Porsche) that we distribute. In terms of electric vehicles, at the end of 2018 the Audi e-tron, built in Brussels, should join the e-Golf and the e-up! unveiled by VW in August 2013 at the Frankfurt Car Show.

2017 was also marked by talks on the cash-for-car project in Belgium, which aims to offer employees in Belgium who are eligible for a company car a cash sum to finance their travel costs. But according to several surveys<sup>2</sup>, few of those concerned are ready to give up their company cars for cash. The impact of this project on D'leteren Auto should therefore be very limited.

Concerning the aftermath of Dieselgate, 75% of models that were affected by the software were updated at end-2017, a similar percentage to that of Germany, where, unlike Belgium, a recall is obligatory.

## STRATEGIC APPROACH

### A STRONG IMAGE BASED ON EXCELLENT SERVICE

#### **The network optimisation project progresses**

Our customers' mobility needs are increasingly evolving towards the use of pay-as-you-go vehicles, car-sharing and electric, CNG or hybrid cars, which require fewer components and consume less oil. These are among the elements that impact the traditional business model of a car dealership. They require a total overhaul of the distribution infrastructure. This is why, as we announced in 2014, D'leteren Auto embarked on a major restructuring of its Belgian distribution network in 2015.

D'leteren Auto's dealership network is now spread over 25 Market Areas across the country. Each Market Area distributes all brands under the VW Group umbrella and is specialised in other segments, like used vehicles with the My Way ensign or bodywork with Wondercar, and in new areas that are addressing the public's mobility needs.

22 investors from the existing distribution network are by our side and are buying those dealerships that are best equipped to cover their particular areas and to provide the services demanded by the clientele.

At present, mergers and acquisitions are proceeding smoothly and the Market Area Leaders are 75%-consolidated and account for 67% of national volumes of VW Group cars sold. Most of the planned mergers should be completed by end-2018, with the remainder by mid-2019.

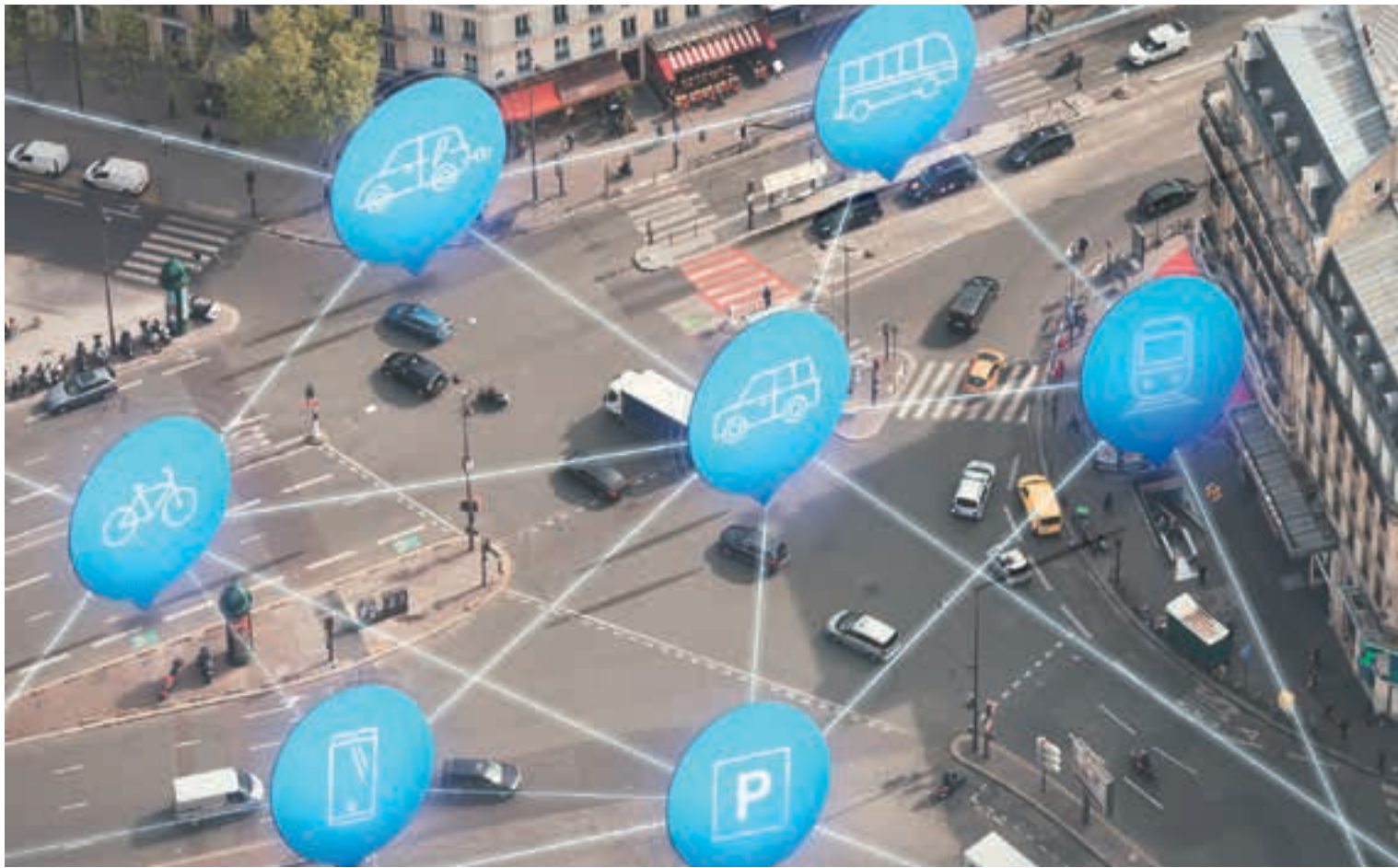
The Market Area Leaders will set up an organisational structure that meets the qualitative and quantitative criteria required. This implies enhancing the expertise of staff in the organisation, both across the network and in the network support services provided by D'leteren Auto.

*The new multi-brand multi-services dealership, Auto Center Zaventem, launched end-2016 in the region of Brussels, illustrates the regional consolidation of selling points and service providers realised as part of the Market Area strategy.*



<sup>2</sup> According to a study carried out by the Belgian daily De Morgen on 12 January 2018, only 2 out of 10 people were prepared to give up their company cars in exchange for cash.





*Through its multimodal Olympus offer, VDFIN enables employees who have a leasing contract to book a train, bus or metro ticket, or to rent a bicycle.*

The Pole Position project, launched in 2014 to improve the operational performance of dealerships fully-owned by D'leteren Auto in the Brussels region, has also begun to bear fruits. The number of outlets has been reduced from 11 to 5 if we include sites under construction, a transformation that should allow all D'leteren Car Centres to post positive results from 2018. The Pole Position project is complemented by a strengthened retail presence on the Mechelen-Antwerp axis, as demonstrated by the recent acquisition of the Rietje dealerships.


This strategy means that dealerships fully-owned by D'leteren Auto represent from now on 20% of the total volume delivered to the end customer.

#### **The transition to digital and the personalization of services**

A new CRM platform has been developed in collaboration with the network, creating genuine value-added by ensuring that our offers are accurately targeted based on our customers' needs. This helps to improve the customer experience thanks to an approach that is increasingly based on digital and mobile platforms. It also helps us to provide better follow-up of our customers, be it at the sales or the after-sales stage, in new or used vehicles.

We are therefore now targeting our services more carefully in order to better meet the needs of our customers. For vehicle fleet managers for example, we have rolled out a multi-brand (VW Group) and multi-services strategy, which includes reporting and fleet maintenance. Centres for Light Commercial Vehicles have also been opened for professionals, enabling them to receive specialised advice and facilitating their choice of vehicle lay-out. MyWay and Wondercar franchises have been launched network-wide, providing customers with professional-level services for used vehicles and smart bodywork repairs.

Our financing services, which are increasingly popular with our customers both private and professional, have also been adapted to market trends. A good example is our multimodal Olympus offer for professional customers, offered since September 2017 by VDFIN (Volkswagen D'leteren Finance). Olympus Mobility is an application that enables the user, as an add-on to the leasing contract, to book a train, bus or metro ticket, or to rent a bicycle.



Several initiatives  
are currently in the  
testing and development  
phases, with a specific  
focus on intermodality  
and HaaS.





*Poppy is a green car-sharing service in the Antwerp region that is based on the « free-floating » principle. Poppy uses around 350 Volkswagen e-Golf and Audi A3 g-tron.*

### Building a comprehensive electric offer

On the electric vehicle front, we are progressively rolling out a strategy based on building an all-in service, including the management of recharging and energy storage infrastructure for the home – using e-Moby, which enables employees to be reimbursed for electricity consumed when off company premises – or the office. The electric vehicle offers announced by the Volkswagen Group – the Audi e-tron in 2018, the Porsche Mission E in 2019, and the ranges of electric cars from VW ID, Seat Leon and Škoda SLC from 2020 – should enable D’leteren Auto to gradually build a strong position on this fast-growing market. According to the estimates of the VW Group, electric vehicles should make up 25% of all new vehicle sales by 2025.



### One ambition: to become the number one mobility player

At end-2016, D’leteren Auto created a unit called D’leteren Mobility with the aim of exploring and testing new mobility solutions, thereby enhancing its expertise in this crucial developing market. This unit has since become a subsidiary of D’leteren Auto and been renamed Lab Box. The new status provides it with more room to manoeuvre and the flexibility needed to find innovative solutions.

In January 2018, Lab Box officially launched Poppy, a green car-sharing service in the Antwerp region that is based on the ‘free-floating’ principle. Poppy uses around 350 Volkswagen e-Golfs and Audi A3 g-tron and the service might soon be introduced in other towns. In addition to the B2C offer, Poppy also plans to expand into the B2B segment with an alternative mobility solution for companies. Other initiatives are currently in the testing and development phases, with a specific focus on intermodality and Maas (Mobility as a Service) platforms.

*VDIFIN’s e-moby service includes a cable for mobile recharging that can be plugged on a wall outlet. It sends employee energy consumption data straight to a company, enabling the latter to pay for the related expenses.*





One of D'Ieteren Auto's major priorities is to offer a working environment that is safe and enriching, where well-being isn't just a slogan.

*Ann-Chantal Craenen, Senior Customer Service Advisor at VDFIN*

## D'LETEREN IMMO: 2017, A YEAR OF CONSOLIDATION

Created at end-2016, D'leteren Immo brings together all of D'leteren's Belgian property interests under one roof. In 2017, the team worked on the processes, procedures and lease contracts that formed the basis of the new structure. D'leteren Immo also consolidated various property development projects linked to D'leteren's real estate assets. Some of these assets are being assessed with a view to improving D'leteren Auto's infrastructure. A shining example is the Zen Park in Drogenbos, near Brussels, where the Company's new multi-brand bodywork centre is being built. The remaining assets concern sites that are undergoing conversion. In addition to this real estate management role, D'leteren Immo provides property consultancy services to D'leteren Auto and other players located close to the Company's sites.



*Building site of D'leteren's new multi-brand bodywork  
in Drogenbos, near Brussels.*

## CORPORATE COMMITMENTS

### To facilitate the transition towards the mobility of tomorrow

Although it acts as a vector of prosperity and integration, mobility also faces challenges related to economic, environmental, social and security-related issues. D'leteren Auto is aware of this and accepts its share of responsibility. To improve the social lives of citizens through fluid, accessible and comfortable mobility is its primary commitment, and the one that is closest to the spirit of the core business.

In order to ease the transition towards a system of intermodal mobility that meets the needs of modern society, D'leteren Auto is working to build a raft of mobility services that will enable citizens to travel easily and in comfort, but also at reasonable speed and cost. It does it through its Lab Box subsidiary that is heavily involved in creating innovative and flexible mobility services, but also through its core business by developing a range of services linked to the use of electric cars.

### Reducing our environmental footprint

We believe it is possible to do business while simultaneously reducing the negative impact of that business. D'leteren Auto strives to reduce its environmental footprint by transforming its infrastructure and adapting its behaviour.

Over recent years, we have implemented various measures aimed at using energy more efficiently and integrating alternative energy sources. The latest investments concern the production of renewable energies. In 2017, we installed solar panels on three sites (Wommelgem, Auto Center Zaventem and Drogenbos). Thanks to these complementary installations and the excellent yields from cogeneration facilities on other sites, including our headquarters and the distribution centre, D'leteren Auto was 43% self-sufficient in energy by the end of 2017.

### Favouring well-being and the personal development of our staff

In today's world, success depends more than ever on possessing the right skills in the right place at the right time. In order to find the optimum balance between the professional ambitions of our employees and the needs of the Company, the Human Resources department has developed the "CaReer Model". This tool maps out existing functions and clarifies the position of each one according to the activity and the role in question, thereby making it possible to determine the level of expertise required in a given job. The CaReer Model thereby provides a clear vision of the different options for career development in D'leteren Auto, be they in similar positions or in new areas. It enables an open exchange between employees and their managers about what skills have been mastered already and which ones still need to be learnt, and thereby helps to determine a personal development plan that enables each employee to grow within the organisation.

D'leteren Auto also places the training and qualifications of its staff and future recruits at the heart of its development plans. This is considered as the sine qua non for adapting to changes in the sector, to new technologies and the challenges of today's society. Working in the automobile industry is demanding and requires a range of advanced technical qualifications. The D'leteren Campus programme was therefore set up to strengthen the level of in-house expertise. In 2017, D'leteren Auto staff benefited from more than 39,600 hours of technical and/or behavioural training, equivalent to 3 days per employee.

Another major priority for the company is to offer a working environment that is safe and enriching, where well-being isn't just a slogan. In addition to its commitment to enhance the workplace, homeworking is also now being encouraged. A communication campaign christened "Ho.ffee, another way to be @ work" was developed in 2017 and launched in the Spring of 2018 as a way of clarifying the ideal home-working conditions and facilitating access to as many employees as possible.



Every year, around 200 employees take part in voluntary activities to support projects that mean something to them.

### Social responsibility, a value shared by all employees

Through its Give & Gain patronage programme, D'leteren Auto is fully committed to causes that are close to its businesses – where the Company can bring real added value – while simultaneously encouraging its employees to get involved.

*Give & Gain* can be broken down into three areas:

- *Voluntary activities* : these provide employees with the opportunity to dedicate a working day, as part of a team, to a charitable cause. Around 200 employees take part in the scheme every year to the benefit of around 15 non-profit organisations;
- *Project tenders* : the objective is to offer one-off financial assistance to non-profit bodies that are proposed by D'leteren staff who are looking to finance a project that addresses socially-responsible mobility;
- *Long-term programmes* : these are long-term investments in larger-scale social projects. They can be genuine motors of change and are closely linked with socially-responsible mobility. As part of these

programmes, D'leteren Auto first plays the role of promoter before then setting up partnerships that will ensure the projects' longevity. Among these long-term programmes are road safety awareness courses in schools in deprived areas, in collaboration with the VIAS Institute. These sessions have reached more than 600 young people since their launch in 2015. Another long-term programme, License to Work, developed in partnership with the VDAB, TOTAL, Brusselseler and Tracé, consists of a social driving school that aims to help disadvantaged people in the process of integrating themselves into society to obtain their driving license so as to increase their chances of finding employment.

*(More information on D'leteren Auto's corporate commitments is available in the Non-Financial Disclosure published on page 102 of the Financial and Directors' Report)*



(EUR million)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
New vehicles delivered (in units)	119,967	99,241	117,951	136,199	120,157	112,877	111,667	114,978	122,489	125,229
External revenue	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	3,299.7
Adjusted operating result <sup>1,2</sup>	88.5	65.8	92.6	114.9	54.2	46.7	53.3	66.5	75.8	85.9
Adjusted operating margin	3.3%	2.7%	3.4%	3.6%	1.9%	1.8%	2.0%	2.3%	2.4%	2.6
<b>Adjusted result, group's share</b>										
before tax <sup>1,2,3</sup>	60.6	42.9	64.9	92.7	52.5	47.1	52.5	74.5	84.2	98.2
after tax <sup>1,2</sup>	59.3	41.9	62.0	98.0	48.5	43.0	49.7	74.3	86.7	68.7
Average workforce (average full time equivalents)	1,650	1,565	1,584	1,685	1,587	1,601	1,606	1,580	1,610	1,794

## REVENUE AND ADJUSTED OPERATING RESULT (EUR million)



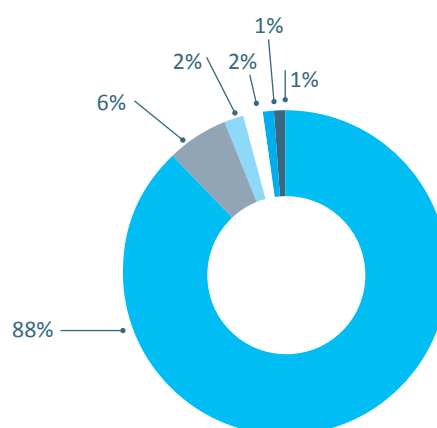
## NEW CAR REGISTRATIONS IN BELGIUM AND MARKET SHARE OF D'IETEREN AUTO



## REVENUE EVOLUTION BY ACTIVITY

(EUR million)	2016	2017	Change
● New vehicles	2,731.8	2,905.1	+6.3%
● Spare parts and accessories	185.4	183.8	-0.9%
● D'Ieteren Car Centers (after-sales)	83.3	82.3	-1.2%
○ Used vehicles	53.9	66.3	+23.0%
● D'Ieteren Sport	28.0	28.1	+0.4%
● Other	31.8	34.1	+7.2%
<b>D'IETEREN AUTO</b>	<b>3,114.2</b>	<b>3,299.7</b>	<b>+6.0%</b>

## REVENUE BREAKDOWN BY ACTIVITY (2017)



1. Excluding adjusting items. (APM - see glossary on page 52).

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

### T-ROC

The T-Roc is an eye-catching, customisable, compact SUV that combines bold lines and practical features with the dynamic driving style of a sedan. The dual-colour paintwork, with its contrasting roof, gives a sporty feel, while the sculpted lines and original LED lights make it stand out in traffic. The T-Roc includes Volkswagen's most advanced driver assistance systems, including Front Assist, which features pedestrian monitoring and city emergency braking, as well as traffic sign recognition, Lane Assist and Adaptive Cruise Control.



### AUDI E-TRON

Audi's first 100%-electric vehicle, the e-tron is positioned between the Audi Q5 and the Q7 in terms of size. Its main characteristics: a 100%-electric transmission, a charging capacity up to 150 kW in just under 30 minutes, remarkable aerodynamics and numerous innovative design features. This new model will be built by Audi Brussels. (The photo shows the Audi e-tron concept)



## SEAT ARONA

The Arona joins the Ateca in SEAT's expanding range of SUVs. This is the brand's second car based on the MQB A0 platform and its first in the compact crossover segment. The Arona features remarkable height and width, numerous customisation options and cutting-edge technology in terms of safety and connectivity.



## ŠKODA KAROQ

The dynamic design of the KAROQ integrates numerous elements that reflect the new stylistic language of ŠKODA's SUV range. The KAROQ is pure ŠKODA, offering generous space, new driving assistance systems, Full LED lighting, and starting in mid-2018, for the first time in a ŠKODA car, a raft of digital instruments. The ŠKODA KAROQ is an SUV packed with character.







**BENTLEY**

## NEW CONTINENTAL GT

Designed and built in England, the third generation of the Bentley Continental GT blends dynamism and power with hand-crafted luxury and state-of-the-art technology to create the most sumptuous Grand Tourer ever produced.

Under the hood is a W12 TSI twin-turbocharged 6-litre engine with an 8-speed dual-clutch transmission that delivers 635 HP and 900 Nm of torque.



## URUS

The Lamborghini Urus is an SUV combining luxury with sports car performance that can be enjoyed by both driver and passengers. The Urus has a twin-turbo 4-litre V8 engine generating 650 HP. Acceleration is 0 to 100 km/h in 3.6 seconds to a top speed of 305 km/h, making it the fastest SUV on the market.



PORSCHE

## NEW CAYENNE

5 doors, and as many possibilities for adventure. Advanced connectivity puts the world at the driver's fingertips from the cockpit, the interior blends elegance and daring, a new design puts the accent on sport and the improved engine includes increased autonomy for the hybrid version. The new Cayenne offers exceptional comfort to driver and passengers alike.



## NIKEN

Featuring the unique Leaning Multi Wheel technology, this radical and versatile new 3-wheel motorcycle looks, rides and feels like nothing else. Twisting roads are its natural playground. And with dual leaning front wheels giving you enhanced feelings of grip, the NIKEN can corner carve with total confidence. Its torque rich 847cc, 3-cylinder engine and lightweight hybrid chassis ensure thrilling sports performance and long distance comfort.





## GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES (APMS) USED IN THIS ACTIVITY REPORT

In order to better reflect its underlying performance and assist investors, securities analysts and other parties, in gaining a better understanding of its financial performance, the Group uses Alternative Performance Measures (“APMs”). These alternative performance metrics are used internally for analysing the Group’s results as well as its business units. These APMs are non-GAAP measures, i.e. their definition is not addressed by IFRS. The Group does not present APMs as an alternative to financial measures determined in accordance with IFRS and does not give to APMs greater prominence than defined IFRS measures.

Each line of the statement of profit or loss, and each subtotal of the segment statement of profit or loss, is broken down in order to provide information on the *adjusted* result and on the *adjusting* items.

The **adjusting items** are identified by the Group in order to present comparable figures and comprise the following items, but are not limited to:

- A. Recognised fair value gains and losses on financial instruments (i.e. change in fair value between the opening and the end of the period, excluding the accrued cash flows of the derivatives that occurred during the period), where hedge accounting may not be applied under IAS 39 (in this case recognised fair value gains and losses being directly accounted for in the Consolidated Statement of Comprehensive Income);
- B. Exchange gains and losses arising upon the translation of foreign currency loans and borrowings at the closing rate;
- C. Re-measurement of financial liabilities resulting from put options granted to non-controlling interests as from 1 January 2010;
- D. Impairment of goodwill and other non-current assets;

E. Amortisation of intangible assets with finite useful lives recognised in the framework of the allocation as defined by IFRS 3 of the cost of a business combination;

F. Other material items that derive from events or transactions that fall within the ordinary activities of the Group, and which individually or, if of a similar type, in aggregate, are separately disclosed by virtue of their size or incidence.

**Adjusted result after tax** consists of the reported result from continuing operations (or the result for the period when no discontinued operation is reported), excluding *adjusting* items, and excluding their tax impact.

**Adjusted result before tax** consists of the reported result before tax excluding *adjusting* items as defined above.

*Adjusted* result after tax, Group’s share, and *adjusted* result before tax, Group’s share, exclude the share of minority shareholders in *adjusted* result before/after tax.

**Net debt** is based on loans and borrowings less cash, cash equivalents and non-current and current asset investments. It excludes the fair value of derivative debt instruments.

**Earnings per share** are based on the result for the period attributable to equity holders of the Parent, after adjustment for participating shares (each participating share confers one voting right and gives right to a dividend equal to one eighth of the dividend of an ordinary share). *Adjusted* earnings per share, which do not include *adjusting* items, are presented to highlight underlying performance.