



# D'IETEREN AUTO

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Denis Gorteman – CEO of D'Ieteren Auto

# D'IETEREN AUTO AT A GLANCE



## #1 importer and retailer of vehicles in Belgium

*Largest car park with 1,243,000 vehicles on the road<sup>1)</sup>*



## 70 years of partnership with VW Group

*Largest independent importer of VW Group brands*



## 22 Market Area Leaders

*Covering 25 Market Areas of which 4 controlled by D'Ieteren*



## 1 million jobs annually in mechanic aftersales



## EUR 3.1bn sales in 2016

*8.4% growth versus 2015*



## 22% market share

*122,489 new vehicles delivered in 2016*



## Leading brands

*VW is the #1 brand in Belgium*



## Value adding services

*We provide financing for 1 out of 3 clients, maintenance contracts for 1 out of 6 clients and insurance contracts for 1 out of 10 clients*



## 1,610 employees (average FTE's) in 2016



## EUR 76m *adjusted* EBIT in 2016<sup>2)</sup>

*2.4% EBIT margin*

1) All brands; 2) Including Corporate

# OUR ACTIVITIES

## Import

- Import and distribution of vehicles of VW Group brands
- Management of 114 independent dealers<sup>1)</sup>
- Import and distribution of spare parts and accessories
- Management of maintenance and warranty contracts

## Retail

- Sale of new vehicles, after-sales activities (mechanic and body repair) and sale of used vehicles in 4 Market Areas<sup>2)</sup>
- Import and sale of luxury brands (Lamborghini, Bentley and Bugatti)



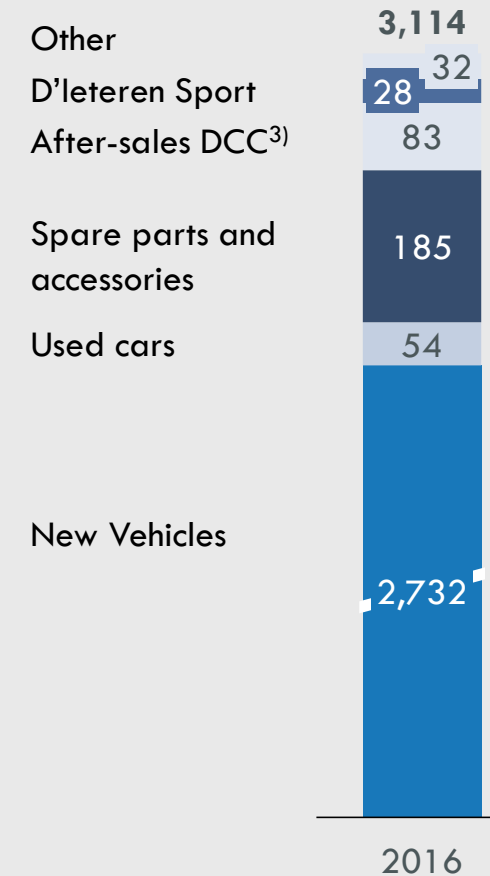
## D'Ieteren Sport

- Distribution of Yamaha products in Belgium and Luxemburg

## VDFin

- Joint venture between D'Ieteren and VW Financial Services offering
- Financing services
- Long-term car rental

## Sales (2016; €m)



1) 25 Market Area Leaders in the future; 2) Brussels (D'Ieteren Car Centers), Mechelen, Antwerp and Antwerp North; 3) D'Ieteren Car Centers



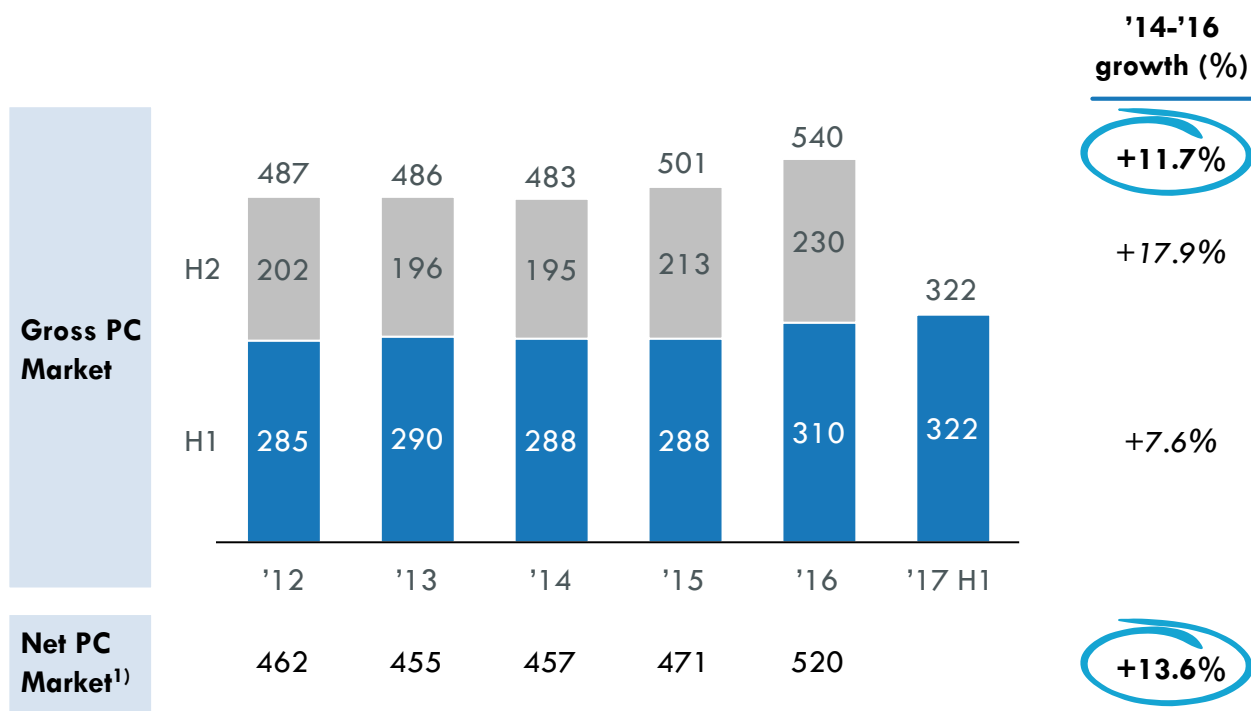
## UPDATE ON OUR PROGRESS

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# SUPPORTIVE PASSENGER CAR MARKET – MOSTLY DRIVEN BY THE PROFESSIONAL SEGMENT

## Total passenger car (PC) market (in '000 units)

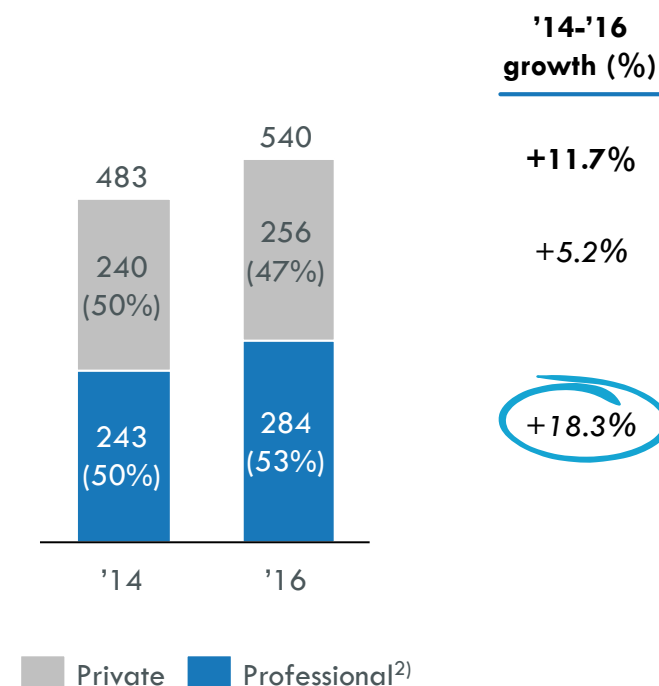
- The net PC market has grown by 13.6% between 2014 and 2016
- 2017 will also be a good year with registrations up 4% in 2017 H1 versus 2016 H1



1) Market figures excluding de-registrations (e.g. registrations cancelled within 30 days)

## Evolution per customer segment (in '000 units)

- The professional segment has accounted for the majority (78%) of the market growth

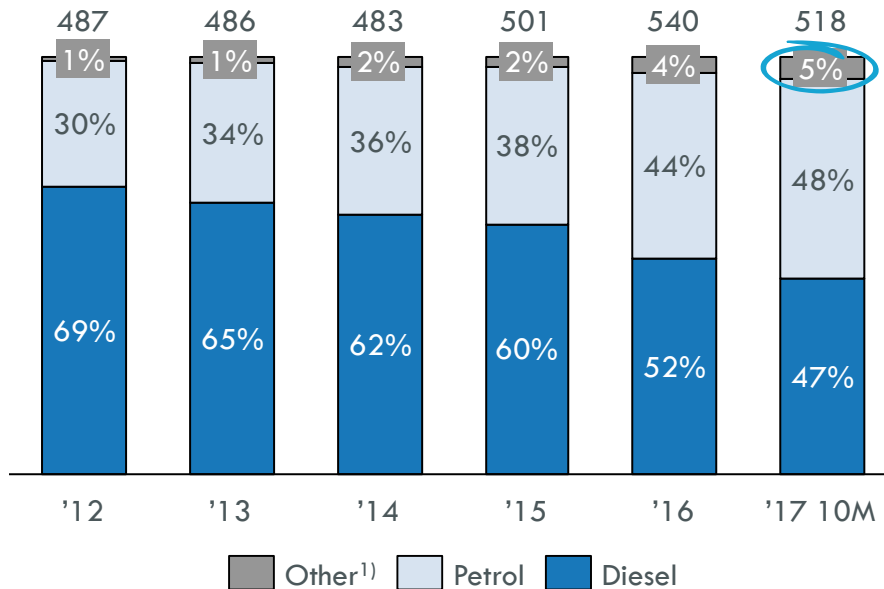


2) Including leasing, company cars, public markets and dealers

# GROWING SHARE OF PETROL ENGINES AND SUVs

**Total PC market per fuel type (in '000 units)**

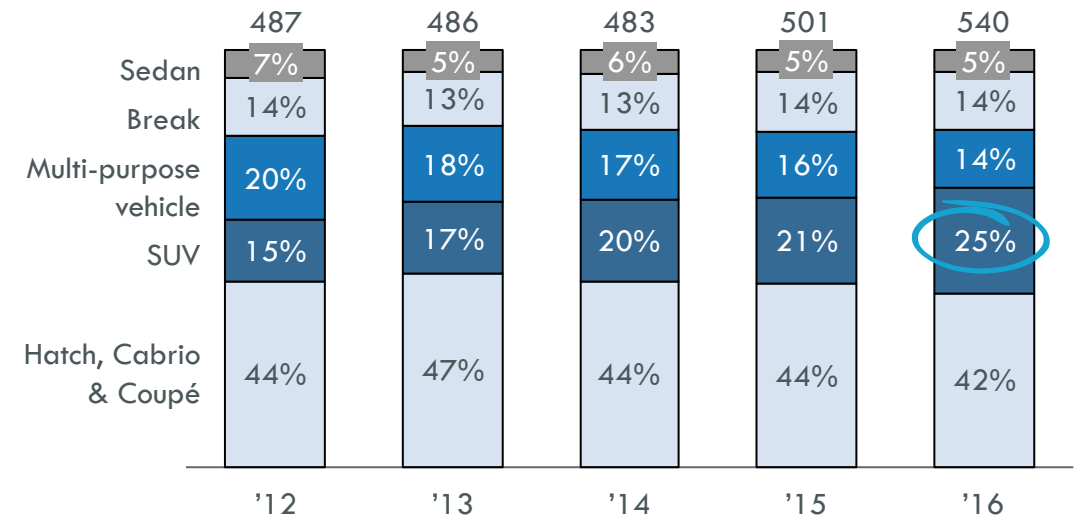
- The shift from diesel to petrol has accelerated in 2016 and 2017 10M, especially in the private segment where 66% of all new vehicles are equipped with a petrol engine (vs. 25% in the professional segment)



1) Including electric, hybrid, plug-in hybrid and gas

**Total PC market per bodywork (in '000 units)**

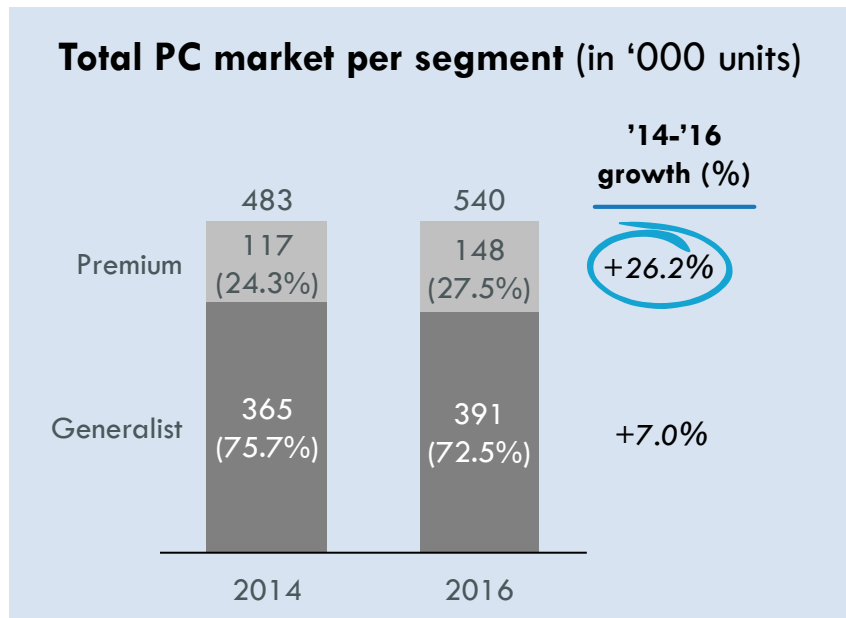
- SUVs are gaining market share: one out of four vehicles registered in 2016 is a SUV (versus 12% in 2011)



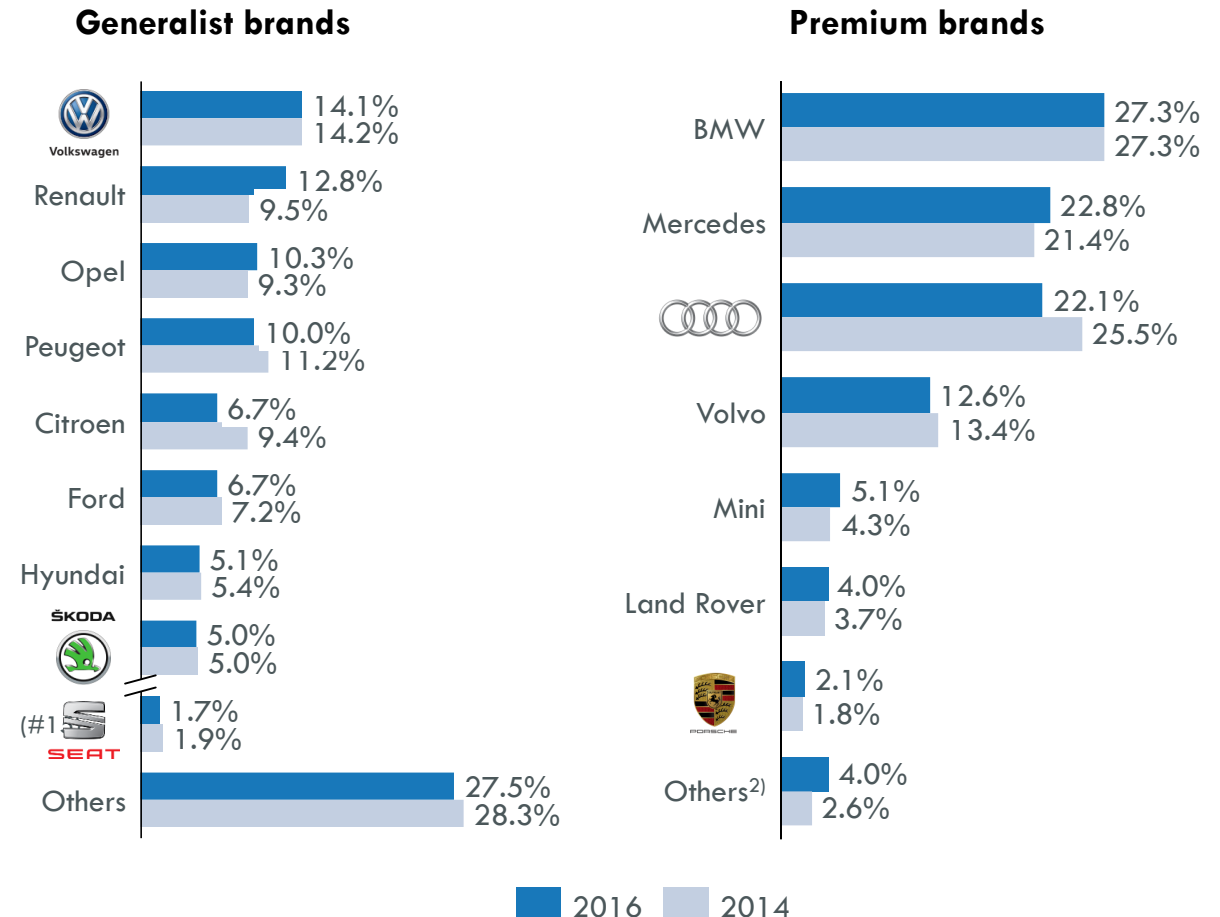
2) Premium brands include Audi, BMW, Mercedes, Volvo, Mini, Land Rover, Lexus, Porsche, Jaguar, Tesla, Maserati and Infiniti

# THE PREMIUM SEGMENT IS GROWING FASTER THAN GENERALIST SEGMENT – AUDI FACES STRONG COMPETITION FROM BMW AND MERCEDES

- Growth of premium segment is putting the generalist brands under pressure
- Audi faces strong competition from BMW and Mercedes which benefit from:
  - Better market coverage
  - Higher incentives for large fleets








## Evolution segment share<sup>1)</sup> (2014-2016; %)



1) Market figures excluding de-registration (e.g. registrations that have been cancelled within 30 days)

2) Other premium brands include Lexus, Jaguar, Tesla, Maserati and Infiniti

# D'IETEREN AUTO'S MARKET SHARE DECREASED marginally TO 21.81% - OVERALL GOOD PERFORMANCE DESPITE DIESELGATE

Market share (2014-2016; %) <sup>1)</sup>		Comments
 Volkswagen	2016	10.2%
	2014	10.6%
	2016	6.3%
	2014	6.5%
	2016	3.6%
	2014	3.7%
	2016	1.2%
	2014	1.4%
	2016	0.6%
	2014	0.5%
<b>Total</b>	2016	21.8%
	2014	22.7%

- VW has remained the #1 brand on the Belgian market despite the impact of the Dieseltgate
- Successful run-out campaign of the previous Tiguan and launch of the new Tiguan in 2016
- VW remains market leader in H1 2017 with high volumes of Polo, Golf and Touran
- While 2016 was a record year in terms of volumes thanks to the launch of the Q2 and the new A5 and Q5, Audi's market share has slightly declined to the benefit of BMW and Mercedes
- In H1 2017 Audi's market share was supported by the A5 and Q7 and continued contribution of Q2
- Stable share thanks to the success of the Superb and the Octavia (no new model in 2016)
- Successful launch of the Kodiaq in 2017 and continued strong performance of the Superb
- Seat market share was slightly down in 2016 despite the promising launch of the Ateca in Q3
- Positive impact of the Ateca in 2017 as market share has increased to 1.4% in YTD 10M
- Porsche has registered a strong performance, especially thanks to the Panamera E-Hybrid, exceeding the threshold of 3,000 new vehicles sold in 2016
- D'Ieteren Auto's market share has reached 21.8% in 2016 due to the tail effect of the Dieseltgate and timing of new Audi and Seat model launches
- Overall good performance despite the Dieseltgate (start end of Q3 2015)

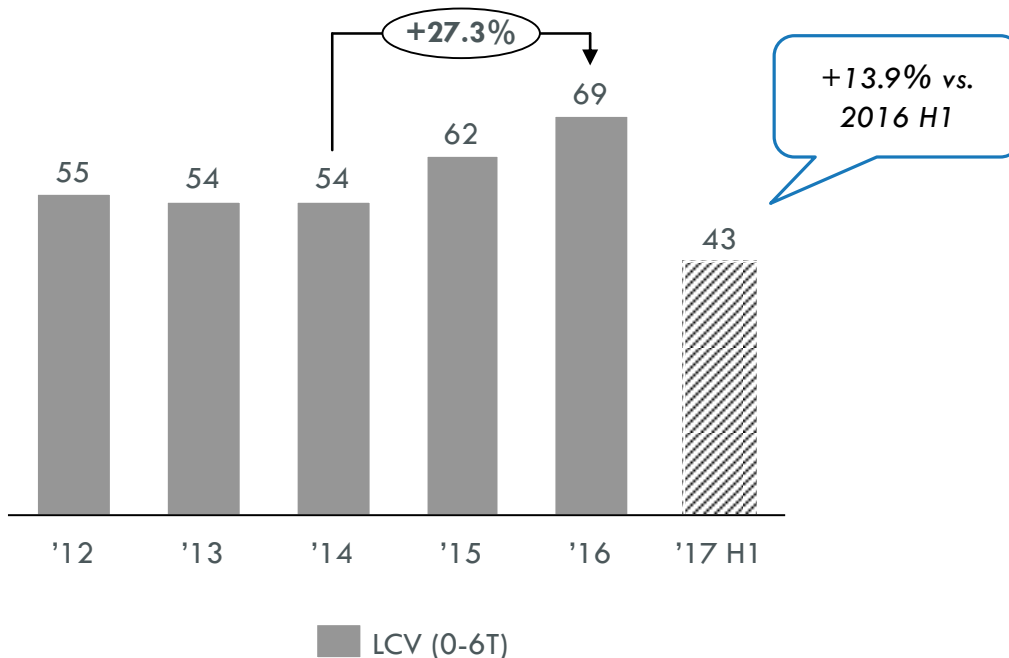
1) Based on net market figures excluding de-registrations (e.g. registrations that have been cancelled within 30 days)



# SUPPORTIVE LCV MARKET AND STRONG PERFORMANCE OF NEW CRAFTER IN H1 2017

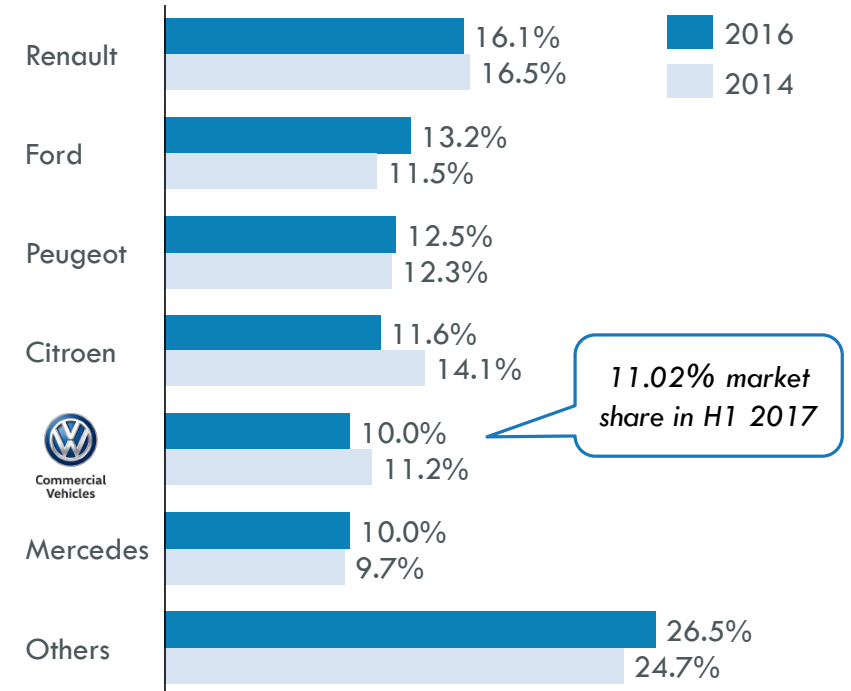
## Total light commercial vehicles (LCV) market (in '000 units)

- 2016 is an absolute record year for the LCV market in Belgium with 68,540 vehicles sold, or an increase of 27.3% since 2014
- The introduction of a kilometer tax for heavy goods vehicles (2016) and the growth of e-commerce have contributed to this positive trend



## Evolution market share LCV brands (in %)

- Volkswagen's market share suffered from the absence of the new Crafter end of 2016
- The market share improved to 11.02% in H1 2017, reflecting the successful Brussels Motor Show and launch of the new Crafter

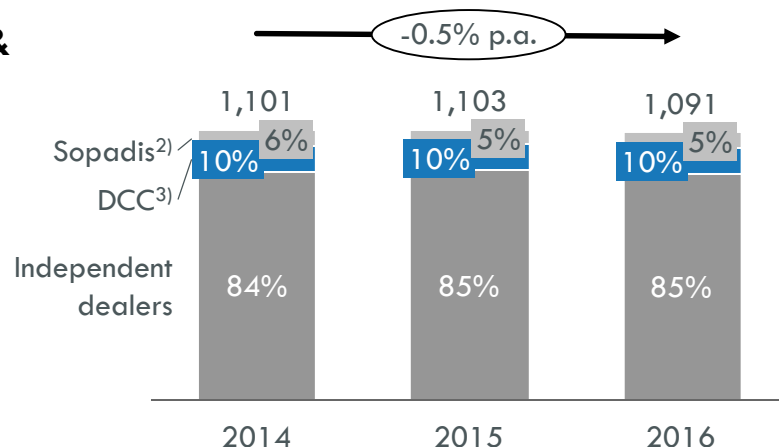


# AFTERSALES ACTIVITIES

## Aftersales throughput 2014-2016 ('000 units)

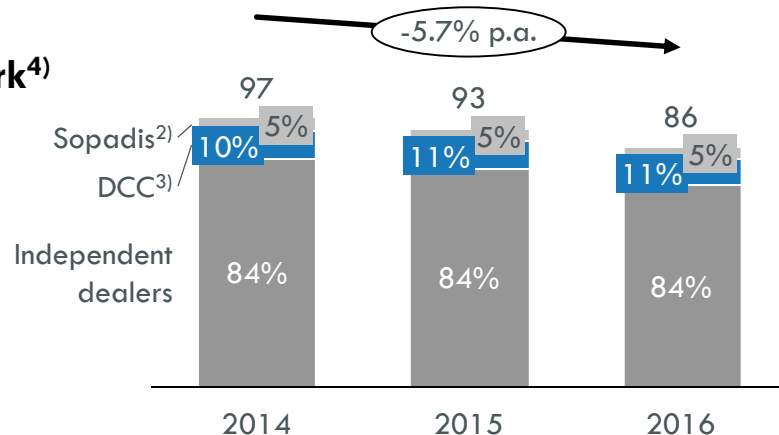
## Comments

### Service & repair<sup>1)</sup>



- Slight decline in service and repair jobs due to increased quality of cars and parts and lower average kilometers driven per car
- In 2016 an additional 20,000 jobs have been performed in the context of the Dieselgate software updates
  - Negative impact on average job price and hours sold

### Bodywork<sup>4)</sup>



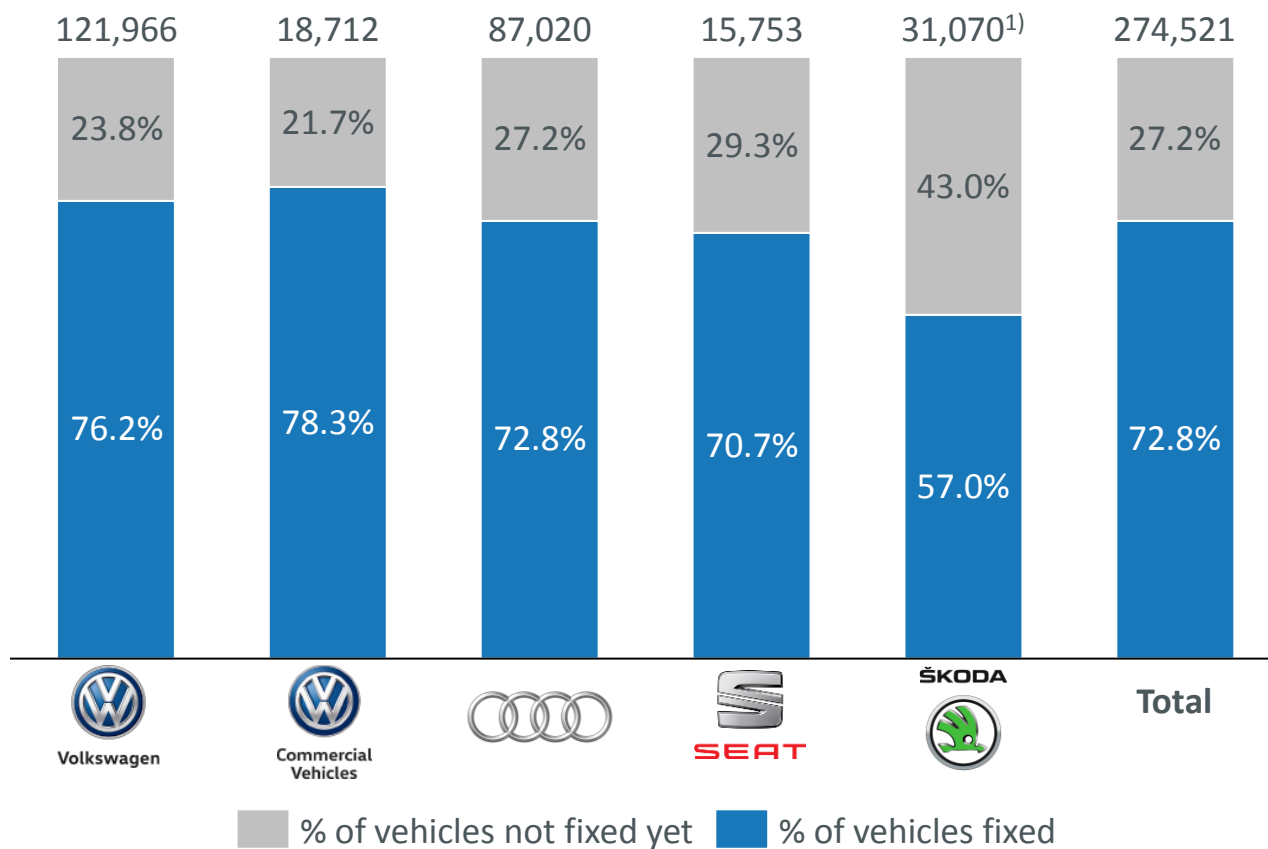
- Decline in total bodywork jobs due to driver-assistance systems (e.g. ADAS) and lower average speed
- Set up of a nationwide multi-brand franchise network of body shops to gain market share and leverage our own and the Market Area Leaders' network of body shops
  - Smart and traditional repair
  - Standardized techniques and tools, technical trainings, national marketing, central purchasing, etc.

1) Excluding volumes linked to Dieselgate updates; 2) D'leteren's own retail activities in Antwerp and Mechelen;

3) D'leteren Car Centers (Brussels); 4) Based on # of repair orders

# STATUS DIESELGATE: 73% OF UPDATES ALREADY CARRIED OUT

**Dieselgate updates fulfilment rate (November 2017)**

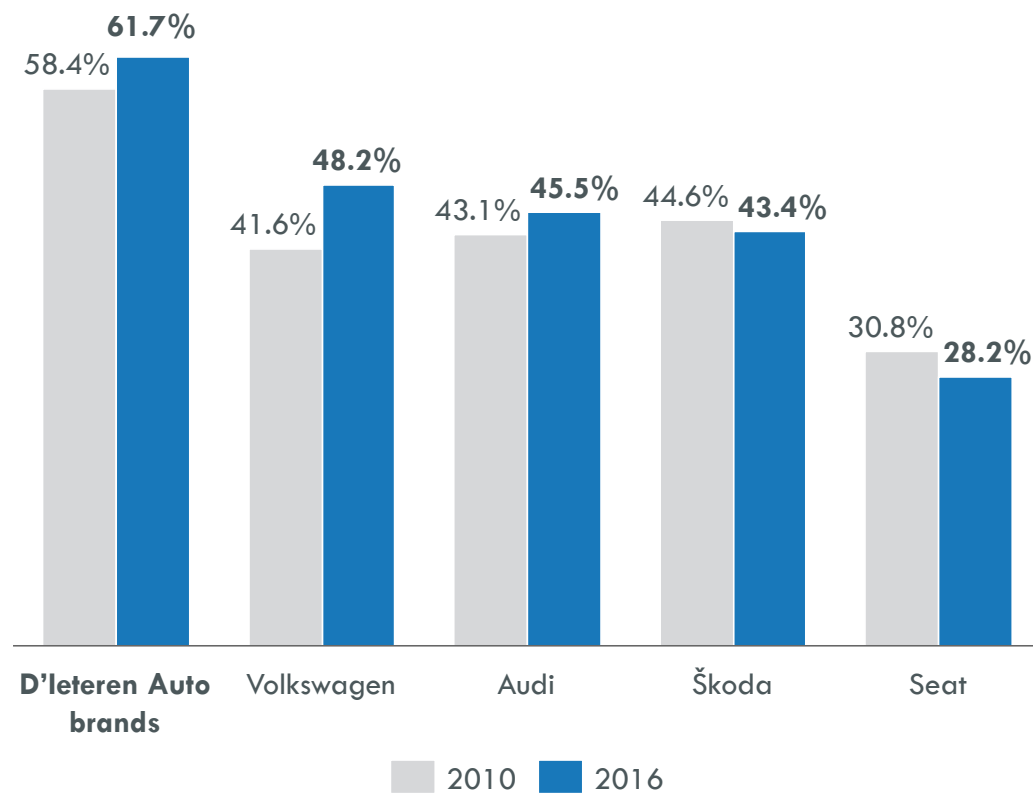


- 274,521 affected vehicles currently registered in Belgium
- 199,194 updates already carried out, representing an overall retrofit percentage of 72.8 %

1) Approval of technical solutions by BVCA (UK)

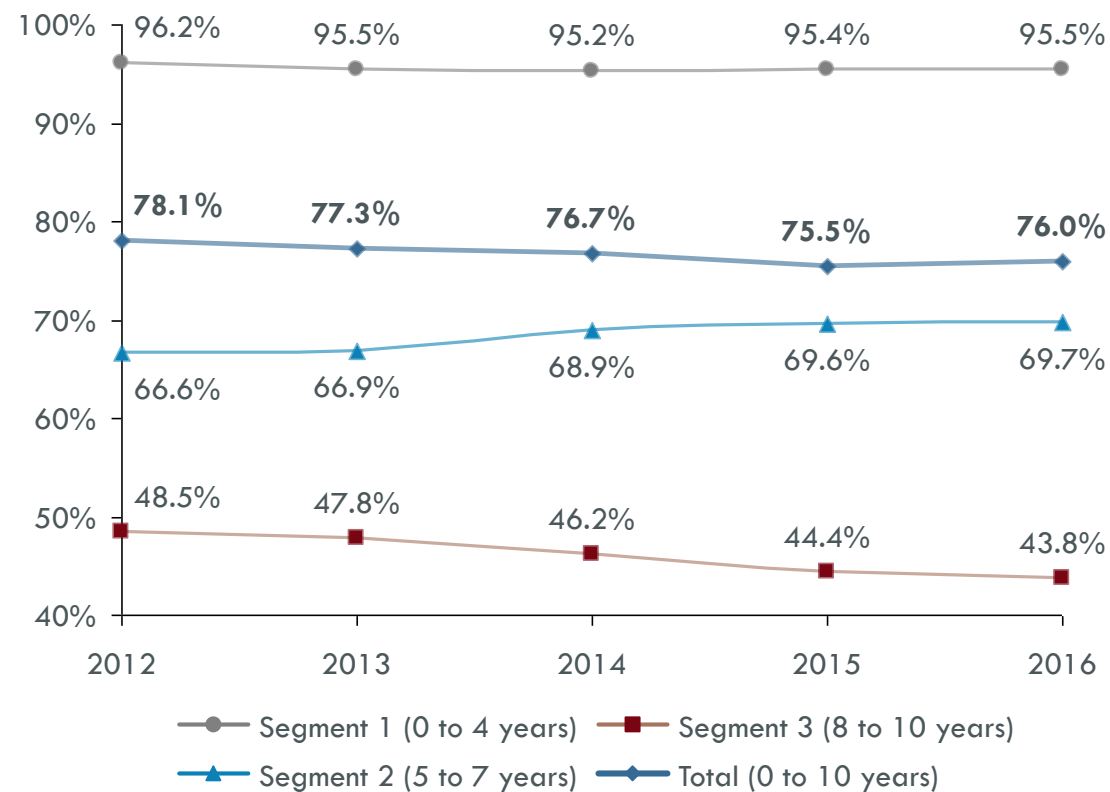
# THE LEVEL OF CUSTOMER LOYALTY HAS INCREASED BOTH IN SALES AND AFTERSALES

**Customer loyalty – Repurchase of new vehicles<sup>1)</sup>**  
(2010-2016; %)



1) Data based on a sample of customers

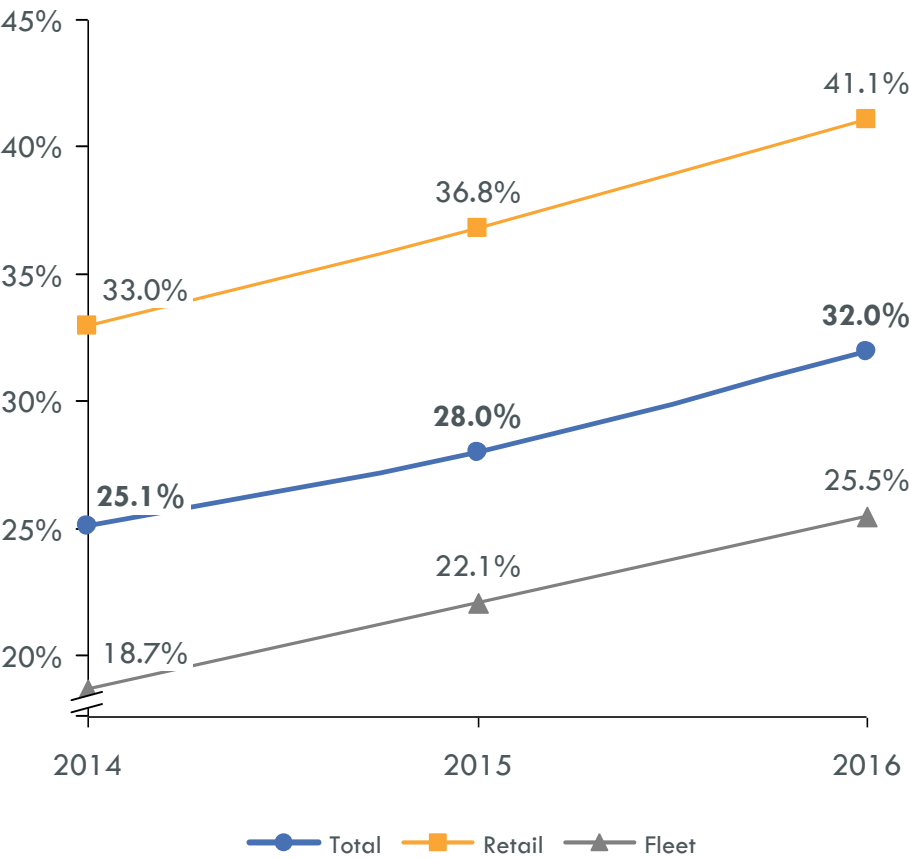
**Customer loyalty in after-sales – Service & repair<sup>2)</sup>**  
(2012-2016; %)



2) Data based on the number of customers of D'leteren Auto brands (VW, CVI, Audi, Skoda, Seat, Porsche) who have serviced/repaired their vehicle in the past 2 years

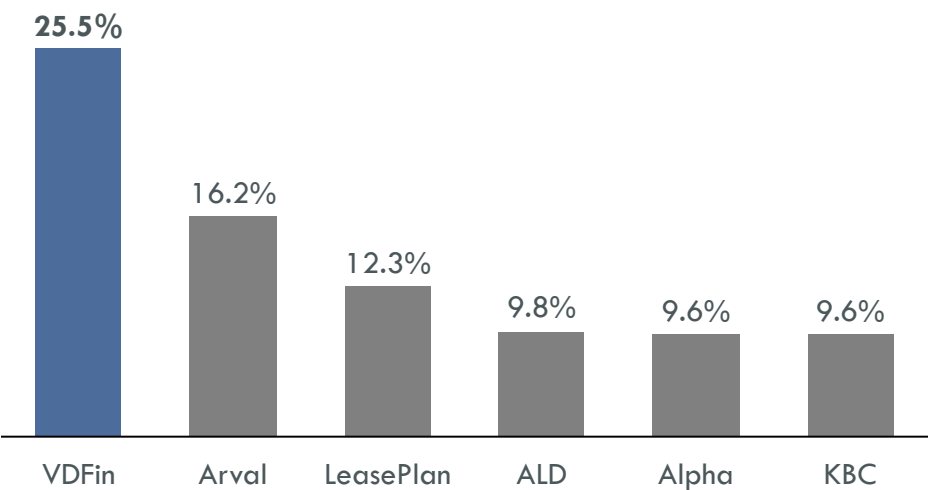
# 1 OUT OF 3 CUSTOMERS OF D'IETEREN AUTO FINANCES HIS/HER VEHICLE THROUGH VDFIN

**VDFin's total & segment penetration rate in new vehicle registrations of D'Ieteren Auto brands<sup>1)</sup>**  
(2014-2016; %)



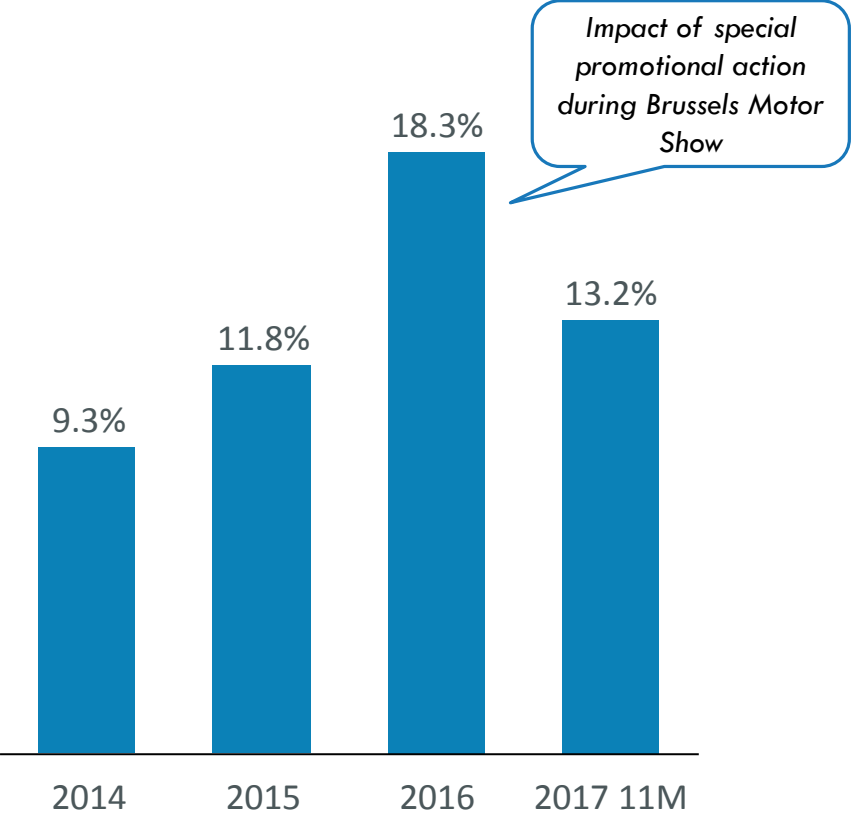
1) Excluding Porsche, Bentley and Lamborghini

**Penetration rate in new vehicle registrations of D'Ieteren Auto brands of top-6 players in operational leases**  
(August 2017; %)

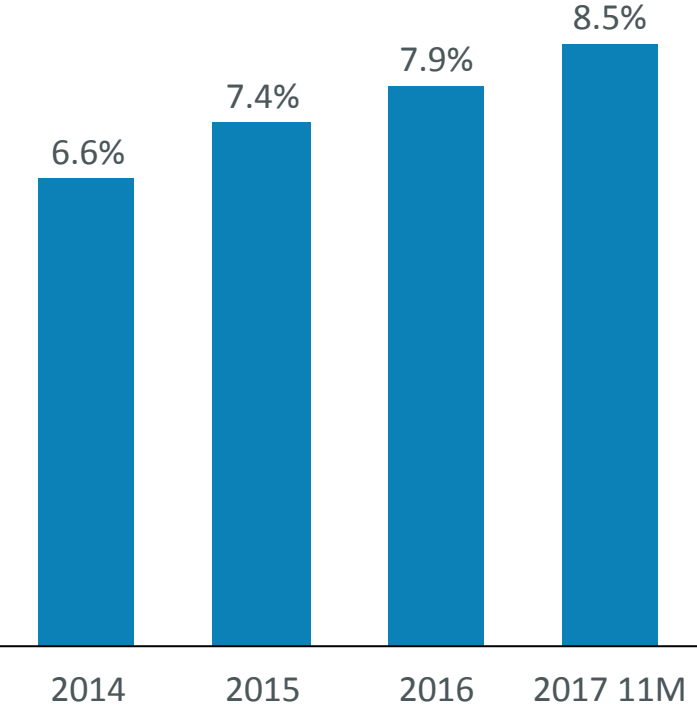


# WECARE AND INSURANCE CONTRACTS PENETRATION

**Penetration of service & maintenance contracts<sup>1)</sup>**  
(2014-2017 11M; %)



**Penetration of insurance contracts**  
(2014-2017 11M; %)



1) Wecare and fleet contracts for all VDFin brand (incl. MAN)

# STRATEGIC PROJECTS: IN 2014 WE HAVE LAUNCHED THREE INITIATIVES TO STRENGTHEN OUR LEADERSHIP AND IMPROVE PROFITABILITY

## Market Area

- In 2013 the profitability of our dealer network was low due to overcapacity, downsizing, technological and customer behavior changes
- The objective of Market Area is to **optimize the independent dealer network** in order to **improve our competitive positioning and leverage synergies**

## Pole Position

- D'leteren's corporately-owned dealerships in the Brussels region, the D'leteren Car Centers, have been loss-making for a number of years
- The objective of Pole Position is to improve the leadership and operational performance of the D'leteren Car Centers while also **rationalizing our retail footprint** in Brussels

## Powered by You

- D'leteren Auto was historically organized by brand
- The objective of Powered by You is to **align and optimize the import structure with the Market Area structure** and to **place the customer at the center** of the organization

# MARKET AREA: DEALER PROFITABILITY ALREADY INCREASED TO 2.0% - PROJECT WILL BE COMPLETED SOONER THAN EXPECTED

## Market Area Project

- In May 2014 we have informed all dealers of our plan to subdivide the country into 25<sup>1)</sup> Market Areas (coherent customer catchment areas) by end of 2020
- All the business operations in each Market Area would be fully-owned and run by a single investor, the Market Area Leader

## Status at end of 2017

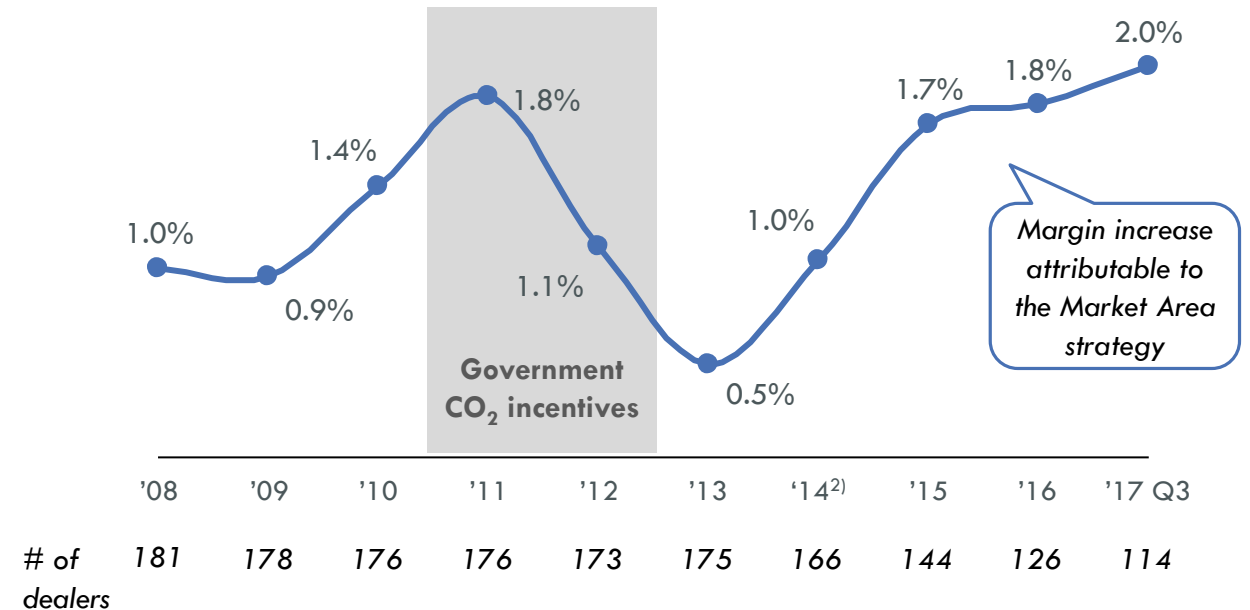
- The 25<sup>1)</sup> Market Areas will be finalized by end of 2019
  - 7 Market Areas are already finalized
  - 75% of all M&A activities are completed
- 22 Market Area Leaders have been confirmed
  - D'leteren owns 4 Market Areas (Brussels, Mechelen, Antwerp and Antwerp North)<sup>2)</sup>

1) Originally 26 Market Areas identified in 2014

2) Subject to approval by the Belgian Competition Authorities

## Results

**Average result before tax margin of the dealer network<sup>1)</sup> and number of independent dealers (2008-2017 Q3; %)**



1) All brands included

2) Sample increased from 128 to 169 dealers



# POLE POSITION: ALREADY HALF THE LOSSES HAVE BEEN ABSORBED

## Pole Position Project

- Pole Position has been announced internally in 2014
- The objective was to reach a break-even pre-tax result for our D'leteren Car Centers (retail activities in Brussels) by the end of 2018

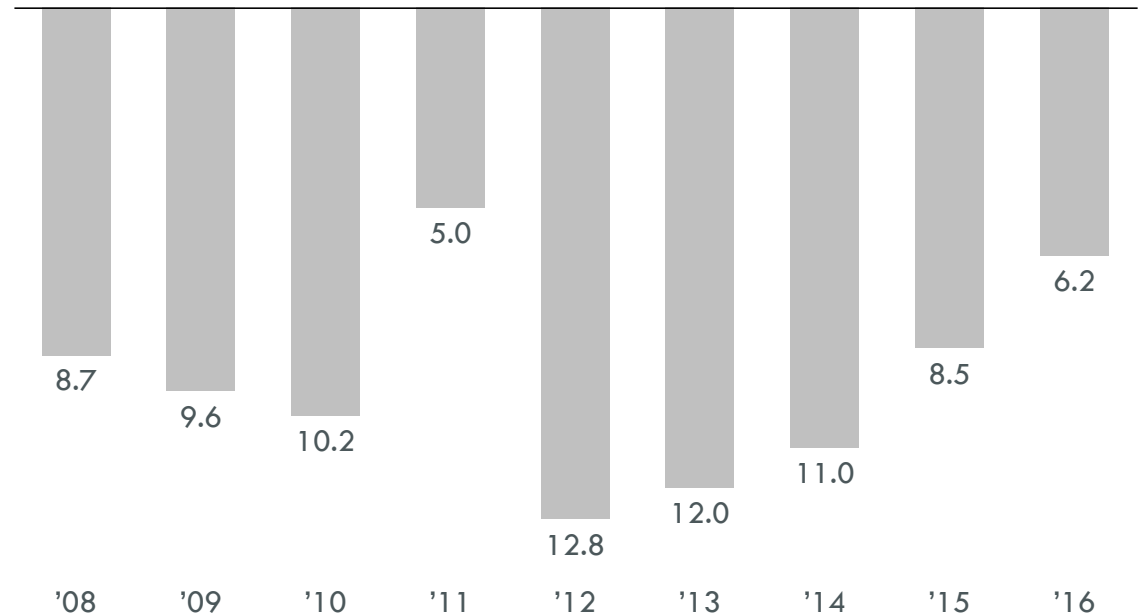
## Status at end of 2017

- We have reduced our footprint in the Brussels region from 12 sites in 2013 to 5 today
  - 1 relocation to be finalized end 2018
  - Construction of our new body work center (Zen Park) to be finalized in 2018
- The D'leteren Car Centers' losses have already been cut by half
- The objective to reach break-even at the end of 2018 will be completed<sup>1)</sup>

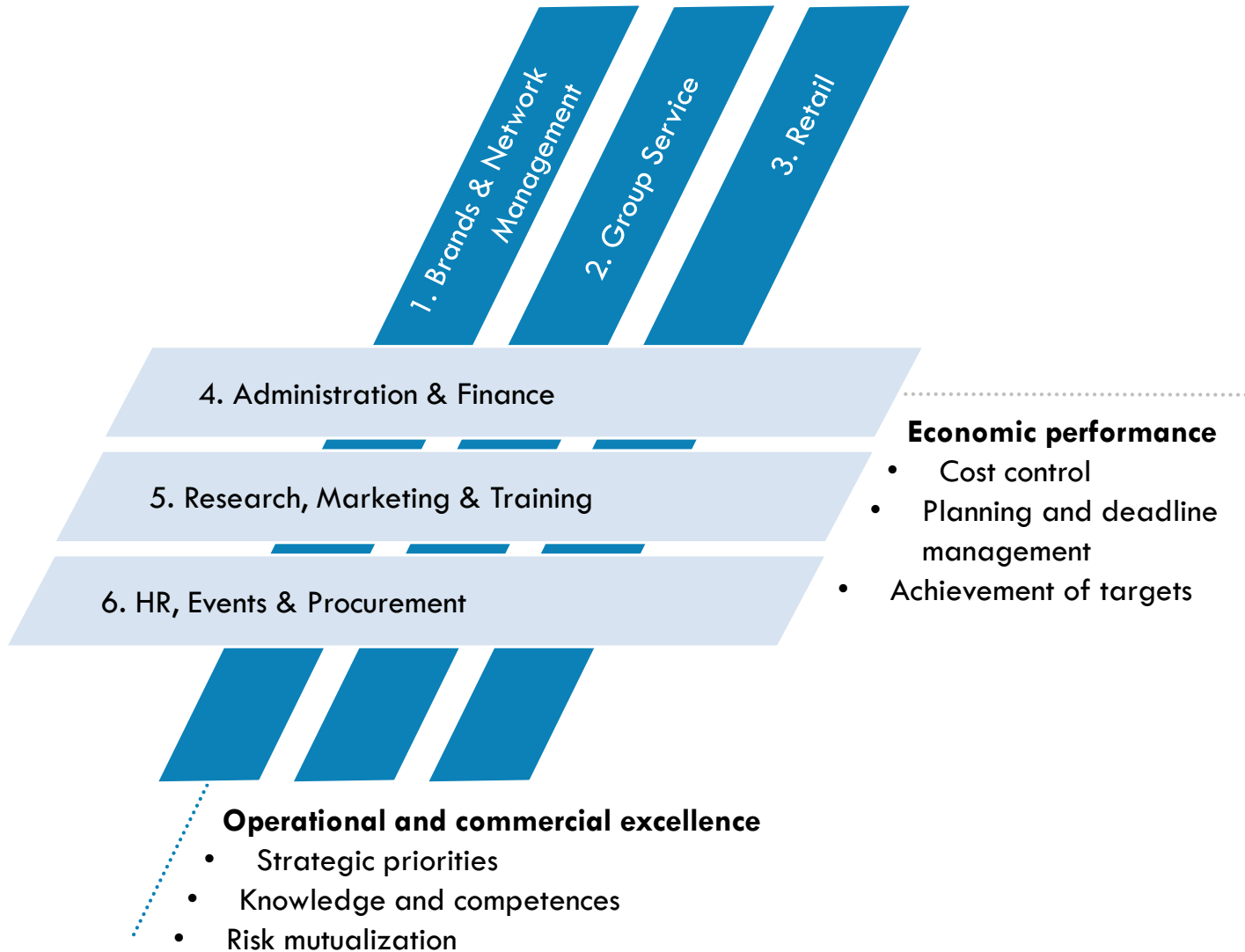
1) On a comparable basis

## Results

**Result before tax of the D'leteren Car Centers**  
(2008-2016; %)



# POWERED BY YOU: WE ARE ALIGNING OUR WAY OF WORKING WITH THE MARKET AREA STRUCTURE – THE BENEFITS ARE EXPECTED IN 2018/2019







- In 2015 we have defined a new organizational structure articulated around six business activities
- Since November 2017 our teams have also been aligned with the Market Area structure

➔ **The benefits of this transformation are expected in 2018/2019**



# D'IETEREN AUTO'S TRACK RECORD FOR THE LAST TWO YEARS

	PLANNED	ACHIEVEMENTS		
SALES & RESULTS	• Medium term targets (2014-2019)	• Despite the Dieselgate sales rose by 8.0% in 2015 and 8.4% in 2016	✓	
	– 2% sales growth			
	– 25% market share	• Market share of 21.8% in 2016	✗	
	– 2.5% operating margin	• 2.4% operating margin in 2016	✓	
CUSTOMER DELIGHT	• Maintain customer delight at minimum 95% in sales and 91% in aftersales	• 92% <sup>2)</sup> customer delight in sales and 88% <sup>3)</sup> customer delight in after-sales		
VDFin	• Increase penetration of VDFin	• Penetration increased to 32% in 2016 (vs. 25% in 2014)	✓	
STRATEGIC PROJECTS	• Market Area: Organize our dealer network in Market Areas by 2020	• Agreements signed with 22 Market Area Leaders		
	• Improve the profitability of our dealer network to 2.0% by 2020	• Completion expected before 2020	✓	
	• Pole Position: Rationalize our footprint in Brussels and reach break-even pre-tax result in 2018	• Dealer profitability increased from 1.0% in 2014 to 2.1% in 2017 <sup>E</sup>		
	• Powered by You: Streamline our import structure	• Footprint reduced from 12 sites in 2013 to 5 in 2018	✓	
		• Losses have been cut by half <sup>1)</sup>		
		• Import organizational structure has been aligned with Market Area structure		
		• Continued evolution in line with the evolution of our network (M&A, closures, etc.)		

✓ Completed/on track    Room for improvement   ✗ Not in line with target

1) On a comparable basis; 2) Sept 2017 for Audi and VW; 3) June 2017 for Audi

## 2014 – 2016 PERFORMANCE

€m	2014	2015	2016	2014-2016 CAGR (%)	Old targets - Investor day 2015
<b>New vehicles delivered</b> (in units)	<b>111,667</b>	<b>114,978</b>	<b>122,493</b>	<b>+4.7%</b>	
<b>Sales</b>	<b>2,660.5</b>	<b>2,874.2</b>	<b>3,114.2</b>	<b>+8.2%</b>	<b>+2.0%</b>
<i>% change</i>	<i>1.3%</i>	<i>8.0%</i>	<i>8.4%</i>		
<b>Adjusted operating margin<sup>1)</sup></b>	<b>53.3</b>	<b>66.5</b>	<b>75.8</b>	<b>+19.3%</b>	
<i>% of sales</i>	<i>2.0%</i>	<i>2.3%</i>	<i>2.4%</i>		<b>2.5%</b>
<b>Adjusted result before tax, group share</b>	<b>52.5</b>	<b>74.5</b>	<b>84.2</b>	<b>+26.6%</b>	
<i>Of which joint ventures and associates<sup>2)</sup></i>	<i>6.2</i>	<i>8.2</i>	<i>8.5</i>		

### Comments

- Strong sales growth reflecting the supportive new car market and successful 2016 Motor Show
- Improved operating margin thanks to
  - Positive mix effect
  - Improved results of the Retail activities
  - Beneficial impact of D'leteren Auto's 3 strategic priorities

1) Including Corporate; 2) Mainly VDFin



## OUTLOOK AND PRIORITIES FOR THE MEDIUM TERM

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## WE HAVE DEFINED THE LEVEL OF AMBITION FOR OUR DIFFERENT ACTIVITIES (1/2)

ACTIVITIES	MARKET EVOLUTION	AMBITION	LEVERS
<b>New car sales</b>	<ul style="list-style-type: none"> <li>Market expected to stabilize around 500,000 vehicles</li> <li>Growing share of petrol and new energy engines and SUV models</li> <li>Limited impact expected from fiscal reforms in the medium term: <ul style="list-style-type: none"> <li>“Cash for car” plan is very complex and has received a negative opinion from the Council of State</li> <li>Limited fiscal deductibility for plug-in hybrids might hit some of our models</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Gain market share in a stable market</li> </ul>	<ul style="list-style-type: none"> <li>From product/brand focus to a customer centric approach (CRM)</li> <li>Professionalization of our network thanks to the Market Area project <ul style="list-style-type: none"> <li>Attract new competences</li> <li>Positive impact for Seat</li> </ul> </li> <li>Digitalization of our network (dealer 3.0)</li> <li>EV leadership by providing a true customer centric EV ecosystem</li> </ul>
<b>Used car sales</b>	<ul style="list-style-type: none"> <li>Market expected to stabilize around 660,000 vehicles</li> </ul>	<ul style="list-style-type: none"> <li>Gain market share in a stable market</li> </ul>	<ul style="list-style-type: none"> <li>Leverage MyWay and Audi Approved + brands and network</li> </ul>

## WE HAVE DEFINED THE LEVEL OF AMBITION FOR OUR DIFFERENT ACTIVITIES (2/2)

ACTIVITIES	MARKET EVOLUTION	AMBITION	LEVERS
<b>Mechanic</b>	<ul style="list-style-type: none"> <li>Mechanic throughput volume is expected to decline due to improved parts and workmanship quality</li> </ul>	<ul style="list-style-type: none"> <li>Maintain/improve dealer loyalty for parts sales</li> <li>Improve customer loyalty in Retail</li> </ul>	<ul style="list-style-type: none"> <li>Leverage CRM tool</li> <li>Increase penetration of Wecare</li> <li>Launch of new services (insurance)</li> </ul>
<b>Body repair</b>	<ul style="list-style-type: none"> <li>While the car park is growing, the number of jobs is expected to be negatively impacted by the increased penetration of advanced driver assistance systems (ADAS) and lower speed</li> </ul>	<ul style="list-style-type: none"> <li>Gain market share in a declining market to support parts sales</li> </ul>	<ul style="list-style-type: none"> <li>Launch of a multi-brand body shop network offering both smart and traditional body repair</li> </ul>
<b>VDFin</b>	<ul style="list-style-type: none"> <li>Leasing to private customers is expected to grow while B2B market will stabilize</li> </ul>	<ul style="list-style-type: none"> <li>Increase retail financing penetration rate to 40%</li> </ul>	<ul style="list-style-type: none"> <li>Leverage new CRM and Contract Management System</li> </ul>

# MODEL PIPELINE



VW T-Roc



Audi Q6



VW e-Crafter – Concept car



Audi Q8 – Concept car



Skoda Vision E– Concept car



VW I.D. Family – Concept cars



# OUR FOCUS WILL ALSO BE ON IMPROVING OUR CUSTOMERS' SATISFACTION AND OPERATIONAL EXCELLENCE

## OUR FOCUS FOR THE FUTURE

Become the **supplier of choice** for our Market Area Leaders



- Continue to adapt our structure and way of working (from “top down” to partnership)
- Invest in new tools (e.g. new Data Management System) and acquire new competences
- Offer new services (Bodywork franchise, new mobility solutions, etc.)

Improve **operational excellence** in our Retail and Logistics activities



- Invest in new tools (e.g. CRM) and offer new services (online platform, EV offering, etc.) to continuously exceed customers expectations
- Continuous work on employee engagement
- Optimize processes and productivity
- Tight cost control



MOBILITY IS ALSO CHANGING FUNDAMENTALLY

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## 4 NEW WORLDS

# 2018



## 1. Car as a Service

Winning the customer relationship is the short-term prerequisite for long-term success

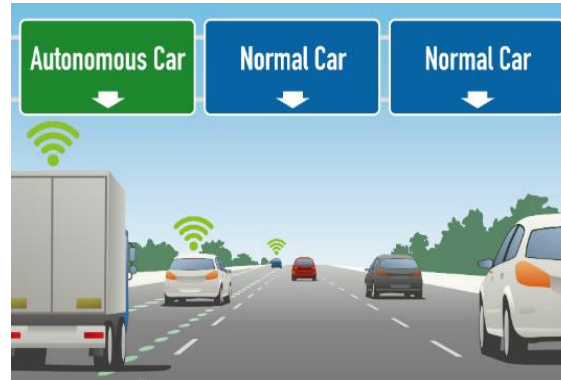
2020



## 2. Clean Mobility

Successfully replacing the previous ICE full-service offers by new EV ones will reinforce the customer relationship

# 2025



### 3. Mobility as a Service

The arrival of Robocabs forces a shift from an asset-based offering to service-based contracts in order to maintain the customer relationship

# 2030



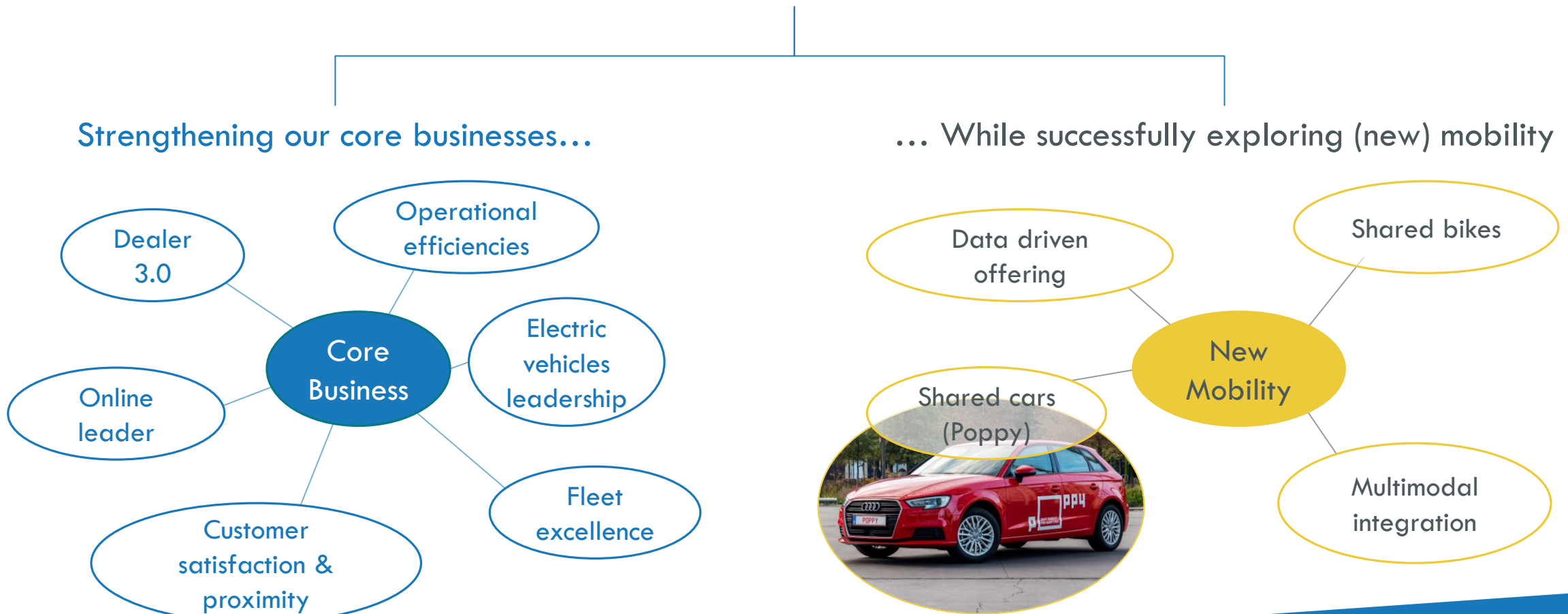
## 4. Seamless Mobility

Extending the service-based contract to—at minima—mobility modes, is required to tap into the multimodal mobility opportunity

# WE NEED TO ADAPT OUR CORE BUSINESS AND EXPLORE NEW MOBILITY SOLUTIONS

## OUR AMBITION

Become the **natural choice for mobility** in Belgium: From #1 market share in new car sales to **#1 market share in numbers of kilometers travelled**





# TRADING UPDATE AND MEDIUM TERM TARGETS

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# TRADING UPDATE AND MEDIUM TERM TARGETS

€m	2014-2016	Old targets - Investor day 2015	New medium term targets
Sales CAGR (%)	+8.2%	+2.0%	+2-3% p.a.
Adjusted operating margin	2.4% (2016)	2.5%	>3.0%

## 2017F

- Continued supportive market trend has allowed to increase volumes despite anticipated marginal decline in market share
- The adjusted result before tax (group's share) including Corporate is expected to improve by more than 10%
  - Mid-single digit improvement at D'leteren Auto
  - Lower costs at the Corporate level
- Launch of successful new models at the end of the year with an order book at the end of November 29% higher than last year

## Medium Term targets

- Flat volumes in a market that is expected to slightly decline before stabilizing, mostly thanks to promising new model launches
- Adjusted operating margin target of >3% thanks to efficiency gains

## FORWARD LOOKING STATEMENTS

*This document contains forward-looking information that involves risks and uncertainties, including statements about D'leteren's plans, objectives, expectations and intentions. Readers are cautioned that forward-looking statements include known and unknown risks and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of D'leteren. Should one or more of these risks, uncertainties or contingencies materialise, or should any underlying assumptions prove incorrect, actual results could vary materially from those anticipated, expected, estimated or projected. As a result, D'leteren does not assume any responsibility for the accuracy of these forward-looking statements.*