



# Press release

17 August 2017

## Stern posts slightly higher net result in H1-2017

Stern Groep N.V., a listed market leader in automotive retail in the Netherlands, announces its results for the first half of 2017.

### Key points in H1-2017

- Net revenue up 5.6% to € 593.9 million
- Operating profit (EBIT) of € 8.2 million (H1-2016: € 8.8 million)
- Profit after tax of € 5.4 million (H1-2016: € 5.2 million)
- The results of Stern Mobility Solutions, Stern Car Services and other operations developed positively
- The lease portfolio showed further organic growth to reach 10,520 contracts at the end of June 2017 (an increase of 4.2% compared to year-end 2016 and 10.3% over the past 12 months)
- The results of Dealergroup Stern were disappointing due to margin pressure, especially in Q2-2017
- Dealergroup Stern increased its market share for passenger cars to 5.9% (H1-2016: 5.6%). The market share for light commercial vehicles came to 7.5% (H1-2016: 8.4%)
- The solvency ratio at the end of June 2017 stood at 25.3% (year-end 2016: 25.2%), with excess solvency of € 2.2 million
- Net asset value per share rose to € 27.97 at the end of June 2017 (year-end 2016: € 27.66)
- Refinancing in the amount of € 250.0 million including securitisation of the lease portfolio has been completed

### Henk van der Kwast, Chief Executive Officer:

*"Demand for mobility is rapidly changing. There are more and more alternatives to the car available, especially in urban areas, meaning that owning a car is no longer a necessity. This is why Stern in 2016 shifted its primary focus to offering different options such as leasing, rental and other mobility services. The continuing growth of Stern Mobility Solutions shows that this approach is successful. Our transformation from a traditional dealer holding company to a highly profitable mobility group is proceeding according to plan."*

### Progress in H1-2017

Net revenue increased by 5.6% compared to H1-2016 to € 593.9 million. Most of this increase was visible at SternLease (up 6.3%) and at Dealergroup Stern (up 7.1%). Gross profit rose by € 1.7 million (1.8%) to € 97.4 million. Other operating income increased strongly, partly due to higher income from the participation in Bovemij. Total employee expenses rose significantly by 7.3%. The effect of the collective labour agreement (CAO) increase (2% with effect from September 2016) and the previously announced higher employer contribution to pension contributions (the premium shift) together accounted for an increase in employee expenses of around 3.6%. The further increase in employee expenses was mainly due to an increase in the number of FTEs, almost all of which concerned direct employees (more mechanics due to higher workload at the workshops). Other operating expenses (including depreciation expenses) were slightly higher, partly due to higher demonstration and advisory costs.

Operating profit (EBIT) was slightly lower in H1-2017 at € 8.2 million (H1-2016: € 8.8 million).



### **Stern Mobility Solutions**

The number of lease contracts at SternLease increased by 4.2% compared to year-end 2016 to 10,520 contracts (up 10.3% over the past 12 months). Nationally, the lease fleet increased by 2.5% in H1-2017. SternLease thus outperformed the market in H1-2017. The car rental fleet increased by 12.6% compared to year-end 2016 to 2,494 vehicles. The utilisation ratio of the car rental fleet was 77.4% in H1-2017, clearly higher than in H1-2016 (72.3%). Operating profit at Stern Mobility Solutions was much higher than in 2016 due to improved operating performance and a positive residual value adjustment of the fleet.

### **Stern Car Services**

Revenue at SternPoint was up 5.3% compared to H1-2016. Based on the Audatex calculations, the car body repair market in the Netherlands was around 1.3% lower than in H1-2016. The network was significantly expanded in H1-2017. SternPoint now has 18 branches compared to 12 at year-end 2016. This represents clear progress towards our aim of national coverage for Stern Car Services. Operating profit at Stern Car Services was compared to H1-2016, mainly due to the reorganisation of SternPoint (as it was known then) last year. The recently opened car body repair facilities were still clearly loss-making in H1-2017 due to start-up costs and underutilisation.

### **Dealergroup Stern**

226,509 new passenger cars were registered in the Netherlands in H1-2017, an increase of 32,590 (16.8%) compared to H1-2016. Dealergroup Stern realised sales of 13,456 new passenger cars in the period, an increase of 24.3% compared to H1-2016. This brings our market share for passenger cars to 5.9%, compared to 5.6% in H1-2016. Within Dealergroup Stern, Renault, Ford and the VAG brands clearly outperformed the market. 41,512 new light commercial vehicles were registered nationally in H1-2017, an increase of 1,051 (2.6%) on H1-2016. Dealergroup Stern realised sales of 3,116 new light commercial vehicles, a decrease of 8.0% compared to H1-2016 due to the postponement of a number of fleet deals to H2-2017. This brings our provisional market share in light commercial vehicles to 7.5%, against a market share of 8.4% in H1-2016

Revenue at Dealergroup Stern was up 7.1%, with an increase of 9.2% in revenue from sales of new and used cars. The absolute margin on car sales declined due to margin pressure on sales of new and used passenger cars, as well as a different brand and model mix.

The revenue and margin from after-sales (workshops and parts) rose, mainly due to higher workload at the workshops. Employee expenses were up significantly (7.2%), partly due to the CLA increase in September 2016, the higher employer's pension contribution and higher employee expenses as a result of more mechanics due to the higher workload at the workshops. Operating profit at Dealergroup Stern was as a result significantly lower than in H1-2016.

### **Other**

Mango Mobility Services produced a clearly better operating performance than in H1-2016.

### **Solvency**

The balance sheet total stood at € 627.9 million at the end of June 2017, up € 4.0 million on year-end 2016. The change consisted of the growth of the lease and rental portfolio of € 14.1 million, construction and real estate investments of € 11.5 million and an increase in receivables of € 2.9 million. This was partly offset by a reduction of the inventory position of € 25.1 million. Group equity increased by € 1.7 million to € 158.7 million at the end of June 2017 (year-end 2016: € 157.0 million). The increase consisted of an addition of € 5.4 million from profit, a € 0.5 million positive change in value of interest-rate swaps and a reduction of € 4.2 million due to distribution of the final dividend for 2016 in June 2017.

The solvency ratio of Stern Group at the end of June 2017 stood at 25.3% (year-end 2016: 25.2%). 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 2017 came to 33.4%, compared to 32.6% at year-end 2016.

The excess solvency at the end of June 2017 was € 2.2 million (after distribution of the final dividend).

### **Refinancing**

The process of refinancing both the lease and the retail operations has been completed. The organic growth of SternLease, together with the expiration of the facilities in mid-2017, were reason to realise appropriate financing for the lease portfolio in view of the growth strategy by means of securitisation. The new facilities, which remain the same in volume for retail at € 70 million, and provide an additional € 20 million for SternLease at € 180 million, have been concluded with a term of three years. The interest expense is significantly more favourable than the current conditions, especially for the lease financing. The banks providing the financing (ING, ABN-AMRO and Rabobank) are each providing an equal amount of the total funding.

The new financing structure will enable Stern to realise its growth ambitions in the coming years.



## Outlook

The for now disappointing results at Dealergroup Stern have offset the improvements realised at the other business units in H1-2017. Stern expects margin pressure at Dealergroup Stern to ease in H2-2017 as a result of better margins on used cars and various bonus programmes yet to be realised. Stern Mobility Solutions will continue its excellent performance in over the last six months in H2-2017 based on good results at SternLease and further improving results at SternRent. The new car body repair facilities of Stern Car Services led to start-up losses in H1-2017. These facilities will come up to speed during H2-2017 on the basis of the brand certifications and committed repair referrals by various insurers. The situation at Mango Mobility Services is improving more or less according to plan.

Regarding the new strategic plan, we expect to see the initial results in the course of H2-2017, however the major improvements will become visible in 2018 and 2019.

*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 will continue its growth strategy in the coming years.

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 18 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 IAS 34 for the period 1 January 2017 to 30 June 2017

1. Consolidated statement of income for the period 1 January 2017 to 30 June 2017  
(amounts x € 1,000)

	<u>H1-2017</u>	<u>H1-2016</u>
<b>Net revenue</b>	593,876	562,366
Cost of sales	(496,513)	(466,722)
<b>Gross profit</b>	<u>97,363</u>	<u>95,644</u>
Other income	3,921	2,017
Employee expenses	(59,400)	(55,356)
Amortisation of intangible non-current assets	(30)	(30)
Depreciation of property, plant and equipment	(3,785)	(3,837)
Other operating expenses	(29,895)	(29,661)
<b>Operating profit (EBIT)</b>	<u>8,174</u>	<u>8,777</u>
Result from associates	36	24
Financial income and expense	(1,622)	(2,050)
<b>Profit before tax</b>	<u>6,588</u>	<u>6,751</u>
Tax on result	(1,171)	(1,549)
<b>Profit after tax</b> (attributable to the shareholders of Stern Groep N.V.)	<u><u>5,417</u></u>	<u><u>5,202</u></u>
<b>Earnings per share</b>		
Weighted average number of outstanding shares	5,675,000	5,675,000
Earnings per share based on profit after tax	€ 0.95	€ 0.92
Earnings per share – diluted – after tax	€ 0.95	€ 0.92



2. Consolidated statement of comprehensive income for the period 1 January to 30 June 2017  
(amounts x € 1,000)

	<u>H1-2017</u>	<u>H1-2016</u>
<b>Profit after tax</b> (attributable to the shareholders of Stern Groep N.V.)	5,417	5,202
<b>Other comprehensive income</b> <i>Other comprehensive income to be transferred to the statement of income in the following periods:</i>		
Effective portion of changes to the cash flow hedge	747	(151)
Effect of tax on result	<u>(187)</u>	<u>38</u>
Income and expenses not recognised in the statement of income	560	(113)
<b>Total comprehensive income after tax</b> (attributable to the shareholders of Stern Groep N.V.)	<u><u>5,977</u></u>	<u><u>5,089</u></u>

3. Consolidated statement of financial position at 30 June 2017  
(amounts x € 1,000)

	<u>30 June 2017</u>	<u>31 December 2016</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible non-current assets	30,531	30,011
Property, plant and equipment:	304,894	280,294
Investments in associates	971	991
Other financial assets	13,638	11,233
Deferred tax assets	21,200	22,428
	<u>371,234</u>	<u>344,957</u>
<b>Current assets</b>		
Inventory	197,714	222,797
Trade receivables	48,154	47,576
Prepayments and accrued income	9,845	7,530
Cash and cash equivalents	935	993
	<u>256,648</u>	<u>278,896</u>
<b>Total assets</b>	<u><u>627,882</u></u>	<u><u>623,853</u></u>

	<u>30 June 2017</u>	<u>31 December 2016</u>
LIABILITIES		
<b>Equity (attributable to shareholders of Stern Groep N.V.)</b>		
Issued capital	593	593
Share premium reserve	114,734	114,734
Other reserves	35,159	27,772
Revaluation reserve	4,718	2,252
Unallocated result	3,511	11,643
	<u>158,715</u>	<u>156,994</u>
<b>Non-current liabilities</b>		
Interest-bearing loans	8,499	6,292
Provisions	1,511	1,414
Prepaid receipts from lease and warranties	1,355	1,305
	<u>11,365</u>	<u>9,011</u>
<b>Current liabilities</b>		
Interest-bearing loans	314,626	292,565
Provisions	516	988
Trade and other payables	113,823	133,050
Derivatives	246	992
Tax and social insurance contributions	13,690	4,615
Accruals and deferred income	14,901	25,638
	<u>457,802</u>	<u>457,848</u>
<b>Total equity and liabilities</b>	<u><u>627,882</u></u>	<u><u>623,853</u></u>

4. Condensed statement of changes in equity in the period 1 January 2017 to 30 June 2017  
(amounts x € 1,000)

Period 1 January 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 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)
<b>Balance at 30 June 2017</b>	<b>593</b>	<b>114,734</b>	<b>35,159</b>	<b>4,718</b>	<b>3,511</b>	<b>158,715</b>

Period 1 January to 30 June 2016

	Issued capital	Share premium reserve	Other reserves	Revaluation reserve	Unallocated result	Total
Balance at 1 January 2016	593	114,734	22,774	2,005	10,673	150,779
Profit after tax	–	–	–	394	4,808	5,202
Other comprehensive income after tax	–	–	–	(113)	–	(113)
Total comprehensive income	–	–	–	281	4,808	5,089
Result appropriation	–	–	10,673	–	(10,673)	–
Cash dividend	–	–	(4,256)	–	–	(4,256)
Balance at 30 June 2016	593	114,734	29,191	2,286	4,808	151,612

5. Condensed consolidated cash flow statement for the period 1 January to 30 June 2017  
(amounts x € 1,000)

	<u>H1-2017</u>	<u>H1-2016</u>
Profit before tax	6,588	6,751
<b>Adjustments for:</b>		
Result from associates	(36)	(24)
Net interest expense	(130)	(128)
Depreciation	24,249	24,165
Contribution to/ (withdrawal from) allowances	(379)	(1,744)
Other changes	<u>(2,283)</u>	<u>9,713</u>
<b>Cash flow from operating activities</b>	<b>28,009</b>	<b>38,733</b>
Net investment in property, plant and equipment and financial non-current assets	(47,376)	(37,017)
Acquisitions, excluding cash	<u>(703)</u>	<u>(160)</u>
<b>Cash flow from investment activities</b>	<b>(48,079)</b>	<b>(37,177)</b>
Dividends paid	(4,256)	(4,256)
Credit institutions	<u>24,268</u>	<u>2,929</u>
<b>Cash flow from financing activities</b>	<b>20,012</b>	<b>(1,327)</b>
<b>Movement in cash</b>	<b>(58)</b>	<b>229</b>
Cash and cash equivalents at beginning of period	993	608
Cash and cash equivalents at end of period	935	837
<b>Movement in cash</b>	<b><u>(58)</u></b>	<b><u>229</u></b>

## 6. Notes to the financial report for the period 1 January 2017 to 30 June 2017

### General

Stern Groep N.V. has its registered office in 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 2016 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 2016. The 2016 financial statements of Stern Groep N.V. are available at [www.sterngroep.nl](http://www.sterngroep.nl).

This financial report is prepared by the Management Board on 17 August 2017. The figures in this report have not been audited. All amounts are expressed in thousands of euros.

### Segmental analysis

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), Stern Car Services (SternPoint) and Other. The comparative figures for H1-2016 have been adjusted to enable comparison. For an explanation of the segmental analysis, see note 2 Segmental Analysis in the 2016 consolidated financial statements.

	Revenue		Operating profit	
	H1-2017	H1-2016	H1-2017	H1-2016
Dealergroup Stern	568,003	530,585	4,843	8,110
Stern Mobility Solutions	82,996	78,524	5,480	3,643
Stern Car Services	13,152	16,676	(456)	(505)
Other	6,540	6,858	(1,693)	(2,471)
Revenue to segments	(76,815)	(70,277)	-	-
Total	<u>593,876</u>	<u>562,366</u>	<u>8,174</u>	<u>8,777</u>
Result from associates			36	24
Financial income and expense			(1,622)	(2,050)
Profit before tax			<u>6,588</u>	<u>6,751</u>
Tax on result			(1,171)	(1,549)
<b>Profit after tax</b>			<u><u>5,417</u></u>	<u><u>5,202</u></u>

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

	Assets		Liabilities	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Dealgroep Stern	273,006	299,117	194,934	210,522
Stern Mobility Solutions	262,756	248,749	208,861	192,461
Stern Car Services	5,356	3,807	4,035	3,016
Other	86,764	72,180	61,337	60,860
Total	<u>627,882</u>	<u>623,853</u>	<u>469,167</u>	<u>466,859</u>

#### 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 Dealgroep Stern and Stern Mobility Solutions. The impairment test at 31 December 2016 shows that even significant changes to the assumptions used for the segments Dealgroep 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

The item prepayments and accrued income includes a receivable of € 0.4 million in relation to the ESF subsidy for the period March 2009 to July 2011. The total subsidy for this period is € 0.7 million, € 0.3 million of which was received in 2014. At the end of July 2016, the Inspectorate SZW notified Stern that the subsidy claimed by Stern would be investigated due to alleged irregularities. The related documentation was received in Q2-2017 and is now being interpreted and evaluated.

#### Related party disclosures

No material transactions took place with related parties in the first half of 2017. 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 2016. We also refer to note 31 in the 2016 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 2017.



#### **Statement of Directors' responsibilities**

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 provides a true and fair view of the assets, liabilities, financial position and result for the period 1 January 2017 to 30 June 2017 of Stern Groep N.V. and the companies included in the consolidation;
2. The half-year report provides a true and fair view of important events occurring in the period 1 January 2017 to 30 June 2017 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.