

## Stern reports strong increase in profit

**Stern Groep N.V., the Dutch listed automotive group, announces its results for the first half of 2016:**

### Key points in H1-2016

- Net revenue up 9.0% to € 562.4 million. Dealer Group Stern realised an increase of 8.8% and SternLease realised an increase of 19.6%
- Operating profit rises to € 8.8 million (H1-2015: € 6.5 million)
- Gross EBITDA amount to € 35.8 million (H1-2015: € 32.0 million)
- Net EBITDA at € 12.7 million (H1-2015: € 11.6 million)
- Strong increase in the result after tax to € 5.2 million (H1-2015: € 3.4 million), up 52%
- Earnings per share up 53% to € 0.92 (H1-2015: € 0.60)
- The solvency ratio at the end of June 2016 stood at 25.7% (year-end 2015: 25.7%), with net asset value per share of € 26.72 (year-end 2015: € 26.57)
- Dealer Group Stern virtually maintained its market share for passenger cars at 5.6% (H1-2015: 5.7%) and increased its market share for light commercial vehicles to 8.4% (H1-2015: 8.0%)
- Financing facilities increased at more favourable conditions
- Forecast for the whole of 2016 is upwardly adjusted

### Market share

The market for registered **new passenger cars** showed a limited 3.6% decline in H1-2016 to 193,983 units (H1-2015: 201,582 units). Dealer Group Stern's market share for new passenger cars was 5.6% in H1-2016 (H1-2015: 5.7% and for the whole of 2015: 5.4%).

In H1-2016 Dealer Group Stern sold around 300 new passenger cars that were registered in Stern's name at year-end 2015, thus securing the 7% additional tax liability rate for these cars for 60 months. Due to the conditions of the importers, these cars may not be reported as new passenger cars sold. If these sales are taken into account, Dealer Group Stern maintained its market share for new passenger cars.

The market for **new light commercial vehicles** showed a clear increase of 25.5% in H1-2016 to 40,450 units (H1-2015: 32,226 units). Mercedes-Benz (up 40%), Ford (up 44%) and Renault (up 36%) outperformed the market as a whole.

Against this national background, Dealer Group Stern sold 32.5% more new light commercial vehicles, thus outperforming the national market. Dealer Group Stern's market share for new light commercial vehicles in H1-2016 accordingly came to 8.4% (H1-2015: 8.0%).

### Progress in H1-2016

Net revenue increased by 9.0% compared to H1-2015 to € 562.4 million. The increase was visible at Dealer Group Stern (up 8.8%) and at SternLease (up 19.6%). Partly due to the changed composition of revenue from sales and from after-sales, gross profit as a percentage of revenue declined from 17.5% in H1-2015 to 17.0% in H1-2016. Total employee expenses rose by € 0.3 million (0.5%), mainly due to an increase in the number of FTE of 77 (3.9%) compared to H1-2015 to 2,043 FTE as at 30 June 2016. This increase was partly due to the replacement of temporary (and more expensive) personnel with Stern employees and partly due to the increased level of operations.

The industry reached agreement on a new collective labour agreement in mid-June 2016 that runs until the end of October 2018. The main agreements in 2016 are that the premium shift (a changed allocation of pension costs that for Stern will involve an increase in cost of approximately 1.5%) will not be implemented until the beginning of 2017, that wages will be increased by 2% as of 1 September 2016 and that employees will receive a gross lump sum payment of € 300 in December 2016. The provision regarding the allocation of pension costs that was accrued in 2015 was, due to the reached agreement, partly released in H1-2016 (€ 0.8 million).

Depreciation expenses fell by € 1.1 million (21.7%), mainly due to the sale and leaseback transaction for 10 strategic premises in November 2015.

Operating expenses were up by € 3.5 million (13.2%) to € 29.7 million. Over € 2.0 million of this increase was due to the additional rental expenses of the 10 sale and leaseback premises. The cost savings related to the sale and leaseback are accounted for at the line-items depreciations and interest cost. Another reason for higher operating expenses was the increase in costs of sales resulting from additional marketing efforts by Dealer Group Stern and Mango Mobility to achieve additional revenue.

The operating result (EBIT) in H1-2016 came to € 8.8 million, compared to € 6.5 million a year earlier. This is an increase of 35%.

### **Dealer Group Stern**

The decline in the number of new passenger car sales was partly offset by a 2.0% increase in the average sale price. The significant increase in revenue from light commercial vehicles of 35.3% and the important increase in revenue from used cars of 16.4% resulted in a € 43.0 million increase in sales. The sales margin was € 1.8 million higher than in H1-2015. The relative sales margin was unchanged at 4.9%.

Revenue from after-sales increased by € 2.4 million (8.8%), among other things due to higher revenue from parts (+11.3%). Revenue from workshops was up 5.0% compared to H1-2015. This increase in revenue from workshops was achieved by the application of customer-contact centres (CCCs) and more intensive use of internet in approaching customers and prospects.

The relative margin on after-sales was slightly lower due to the change in the composition of this revenue in H1-2016. The gross profit and operating profit of Dealer Group Stern increased significantly (operating profit +43.7% to € 8.1 million) in comparison to H1-2015.

Jager Auto Blankespoor (a Jaguar dealer in The Hague) was sold in July 2016. The positive transaction result realised will be recognised in Q3-2016.

### **Stern Financial Services**

The number of lease contracts at SternLease rose by 5.5% in H1-2016 to 9,538 (year-end 2015: 9,045 contracts). Compared to 30 June 2015 (when there were 7,993 lease contracts), this is an increase of 19.3%. Growth was slightly hindered in H1-2016 due to the bankruptcy of a relatively large customer. The losses related to this bankruptcy have been recognised directly in H1-2016.

The operating profit of Stern Financial Services came to € 4.4 million, an increase of € 0.9 million (25.2%) compared to H1-2015.

### **Stern Mobility Services**

Based on the Audatex calculations, the car body repair market in the Netherlands increased by 6.8% in H1-2016. Revenue at SternSchade rose 12.3% in H1-2016 compared to H1-2015. The use of a customer contact centre (CCC) made it possible to achieve an increase in revenue that outperformed the market. The positive result of SternSchade will clearly increase if market prices are used for the inter-company supply of repair parts.

The result at SternPoint was still negative, partly due to one off costs related to the decision to integrate these operations into SternSchade and increase the cooperation with Dealer Group Stern. The integration allows for savings on management and marketing costs, and for a clearer proposition to the market.

SternTec realised a strong improvement in its result due to the increase in the market for light commercial vehicles and a new product line introduced in 2015.

Mango Mobility achieved a good increase in revenue of 26.8% in H1-2016. The result was however still negative, due to lower margins in combination with a less favourable margin mix and non-recurring costs relating to the opening of two new branches.

According to plan, the SternRent car rental fleet was reduced in comparison to year-end 2015 to 2,073 vehicles in H1-2016 as at 30 June 2016 (a decrease of 2.2%).

Operating profit at Stern Mobility Services was on balance lower in H1-2016 compared to H1-2015.

### **Solvency**

The balance sheet total stood at € 590.5 million at 30 June 2016, up 0.8% on year-end 2015. The increase was mainly due to the growth in the car lease fleet (increase of € 7.5 million) and the purchase of the head office building in Amsterdam (€ 5.2 million). Group equity rose to € 151.6 million (year-end 2015: € 150.8 million) as a result of the addition of the result in H1-2016 and the payment of the final dividend of € 0.75 per share (€ 4.3 million) in June 2016.

The solvency ratio of Stern Group at 30 June 2016 stood at 25.7% (year-end 2015: 25.7%). Based on a standard solvency ratio for the car lease operations of 12.5% and for car rental operations of 20.0%, the solvency of the other activities at the end of June 2016 came to 34.0%, compared to 33.7% at year-end 2015.

Excess solvency at the end of June 2016 (after payment of the final dividend for 2015 in June 2016) amounted to € 4.8 million.

## Finance

The Group's operating capital is funded by three banks and consists of Facility A for the retail finance (limit € 70 million) and Facility B (limit € 130 million) for financing of the leasing operations.

Stern has agreed with its bankers that Facility A of € 70 million is extended by one year and that Facility B has been increased by € 30 million to € 160 million. Both facilities will now mature on 30 June 2017. The documentation for this financing arrangement was completed at the end of June 2016. The new agreements with the banks are similar to those in the previous arrangement. The interest conditions are however clearly more favourable and the ICR covenant has been reduced.

New agreements have also been reached with Mercedes-Benz Financial Services (MBFS), whereby the finance limit has been raised from € 127 million to € 145 million. MBFS finances new cars for Stern Auto, but also for SternRent and the entire Stern Group inventory of used cars.

## Outlook is clearly more favourable

Despite the as yet somewhat disappointing results at Stern Mobility Services, the results show a clear improvement compared to previous forecasts. The profit after tax in H1-2016 is encouraging, as is the development of the order book for a number of car brands and at SternLease. Furthermore, contrary to previous assumptions, the additional tax liability for plug-in hybrids will be raised from the current level of 15% to 22% in one step with effect from 2017. Originally, the intention was to phase in this increase over a period of three years. This means that once again we expect to see a rush to register and deliver plug-in hybrids at the end of 2016, since business drivers purchasing (or registering) plug-in hybrids after 1 January 2017 will no longer be able to benefit from the 15% additional tax liability for 60 months. The rush in Q4-2016 will probably not be as intense as it was last year, partly because of the contrary effect that more expensive models will actually be assigned a reduction in the additional tax liability from 25% to 22% in 2017.

At Stern Financial Services, SternLease continues to show strong organic growth and good results. At Stern Mobility Services, SternRent and SternSchade (to be renamed and combined with SternPoint) are developing according to plan and SternTec continues the positive development shown in 2015. Revenue at Mango Mobility is growing strongly, however a positive result is not expected until 2017.

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## 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.

Dealer Group 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. Dealer Group Stern has a total of approximately 85 branches.

With Stern Financial Services, Stern Group is involved in car leasing (SternLease) and fleet management (SternPartners) and sales of financial mobility products such as SternCredit, SternPolis and SternGarant. Stern Financial Services manages approximately 60,000 contracts.

The division Stern Mobility Services comprises car rental (SternRent), car repair services (SternSchade), interiors for light commercial vehicles (SternTec), the multibrand garage concept (SternPoint) and electric vehicles with speeds up to 45 kilometres per hour (Mango Mobility).

Appendix: Financial report IAS 34 for the period 1 January 2016 to 30 June 2016

**1. Consolidated statement of income for the period 1 January 2016 to 30 June 2016**  
(amounts x € 1,000)

	<u>H1-2016</u>	<u>H1-2015</u>
<b>Net revenue</b>	562,366	516,043
Cost of sales	(466,722)	(425,547)
<b>Gross profit</b>	<u>95,644</u>	<u>90,496</u>
Other income	2,017	2,306
Employee expenses	(55,356)	(55,075)
Amortisation of intangible non-current assets	(30)	(137)
Depreciation of property, plant and equipment	(3,837)	(4,903)
Other operating expenses	(29,661)	(26,188)
<b>Operating profit</b>	<u>8,777</u>	<u>6,499</u>
Result from investments	24	24
Financial expenses (net)	(2,050)	(2,176)
<b>Profit before tax</b>	<u>6,751</u>	<u>4,347</u>
Tax on result	(1,549)	(924)
<b>Profit after tax (attributable to the shareholders of Stern Groep N.V.)</b>	<u><u>5,202</u></u>	<u><u>3,423</u></u>
<b>Earnings per share</b>		
Weighted average number of outstanding shares	5,675,000	5,672,097
Basic earnings per share	€ 0.92	€ 0.60
Diluted earnings per share	€ 0.92	€ 0.60



2. Consolidated statement of comprehensive income for the period 1 January to 30 June 2016  
(amounts x € 1,000)

	<u>H1-2016</u>	<u>H1-2015</u>
<b>Profit after tax</b> (attributable to the shareholders of Stern Groep N.V.)	5,202	3,423
<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	(151)	567
Effect of tax on result	<u>38</u>	<u>(142)</u>
Income and expenses not recognised in the statement of income	(113)	425
<b>Total comprehensive income after tax</b> (attributable to the shareholders of Stern Groep N.V.)	<u><u>5,089</u></u>	<u><u>3,848</u></u>

**3. Consolidated statement of financial position as at 30 June 2016**  
*(amounts x € 1,000)*

	<u>30 June 2016</u>	<u>31 December 2015</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible non-current assets	30,040	30,070
Property, plant and equipment	282,164	269,264
Real estate investments	2,629	2,666
Investments in associates	917	956
Other financial assets	11,847	11,453
Deferred tax assets	24,116	25,562
	<u>351,713</u>	<u>339,971</u>
<b>Current assets</b>		
Inventory	185,041	189,050
Trade receivables	43,403	49,405
Prepayments and accrued income	9,466	6,661
Cash and cash equivalents	837	608
	<u>238,747</u>	<u>245,724</u>
<b>Total assets</b>	<u><u>590,460</u></u>	<u><u>585,695</u></u>

	<u>30 June 2016</u>	<u>31 December 2015</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	29,191	22,774
Revaluation reserve	2,286	2,005
Unallocated result	4,808	10,673
	<u>151,612</u>	<u>150,779</u>
<b>Non-current liabilities</b>		
Interest-bearing loans	18,696	145,373
Provisions	1,182	1,177
Prepaid receipts from lease and warranties	1,195	1,222
	<u>21,073</u>	<u>147,772</u>
<b>Current liabilities</b>		
Interest-bearing loans	280,689	151,083
Provisions	1,206	2,955
Trade and other payables	104,640	101,624
Derivatives	1,865	1,714
Tax and social insurance contributions	9,217	2,968
Accruals and deferred income	20,158	26,800
	<u>417,775</u>	<u>287,144</u>
<b>Total equity and liabilities</b>	<u><u>590,460</u></u>	<u><u>585,695</u></u>

4. Condensed statement of changes in equity in the period 01 January 2016 to 30 June 2016  
(amounts x € 1,000)

Period 1 January to 30 June 2016

	Issued capital	Share premium reserve	Other reserves	Revaluation reserve	Unallocated result	Total
Balance at 01 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 for the period	-	-	-	281	4,808	5,089
Result appropriation	-	-	10,673	-	(10,673)	-
Cash dividend	-	-	(4,256)	-	-	(4,256)
<b>Balance at 30 June 2016</b>	<b>593</b>	<b>114,734</b>	<b>29,191</b>	<b>2,286</b>	<b>4,808</b>	<b>151,612</b>

Period 1 January to 30 June 2015

	Issued capital	Share premium reserve	Other reserves	Revaluation reserve	Unallocated result	Total
Balance at 1 January 2015	593	114,734	21,544	1,110	2,588	140,569
Profit after tax	-	-	-	394	3,029	3,423
Other comprehensive income after tax	-	-	-	425	-	425
Total comprehensive income for the period	-	-	-	819	3,029	3,848
Result appropriation	-	-	2,588	-	(2,588)	-
Sale of shares	-	-	67	-	-	67
<b>Balance at 30 June 2015</b>	<b>593</b>	<b>114,734</b>	<b>24,199</b>	<b>1,929</b>	<b>3,029</b>	<b>144,484</b>

5. Condensed consolidated cash flow statement for the period 1 January to 30 June 2016  
(amounts x € 1,000)

	<u>H1-2016</u>	<u>H1-2015</u>	
Profit before tax	6,751	4,347	
<b>Adjustments for:</b>			
Result from non-consolidated participating interests	(24)	(24)	
Net interest expense	(128)	10	
Depreciation	24,165	23,267	
Contribution to/ (withdrawal from) provisions	(1,744)	(479)	
Other changes	<u>9,713</u>	<u>(1,169)</u>	
<b>Cash flow from operating activities</b>	<b>38,733</b>	<b>25,952</b>	
Net investment in property, plant and equipment and intangible non-current assets	(37,017)	(39,172)	
Acquisition of group companies	<u>(160)</u>	<u>-</u>	
<b>Cash flow from investment activities</b>	<b>(37,177)</b>	<b>(39,172)</b>	
Dividends paid	(4,256)	-	
Purchase and sale of shares	-	67	
Credit institutions	<u>2,929</u>	<u>12,374</u>	
<b>Cash flow from financing activities</b>	<b>12,441</b>	<b>12,441</b>	
<b>Increase in cash and cash equivalents</b>	<b>(1,327)</b>	<b>(779)</b>	
Balance of cash and cash equivalents at beginning of period		1,636	
Balance of cash and cash equivalents at end of period		857	
<b>Movement in cash and cash equivalents</b>	<b><u>229</u></b>	<b><u>(779)</u></b>	

## 6. Notes to the financial report for the period 01 January 2016 to 30 June 2016

### General

Stern Groep N.V. has its registered office at Amsterdam, the Netherlands. This interim financial report is prepared in accordance with IAS 34 'Interim financial reporting' as adopted in the European Union. This report does not contain all the information required for full financial statements and should be read in combination with the consolidated 2015 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 2015. The 2015 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 2016. 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 comparative figures have been adjusted since SternRent is recognised for the first time under the Stern Mobility Services segment (previously under Stern Financial Services). For an explanation of the segmental analysis, see note 2 Segmental Analysis in the 2015 consolidated financial statements.

	Revenue		Operating profit	
	H1-2016	H1-2015	H1-2016	H1-2015
Dealer Group Stern	530,585	490,030	8,110	5,644
Stern Financial Services	55,027	46,324	4,351	3,475
Stern Mobility Services	46,654	38,457	(1,735)	(1,035)
Other	376	531	(1,949)	(1,585)
Revenue to segments	(70,277)	(59,299)		-
Total	<u>562,365</u>	<u>516,043</u>	<u>8,777</u>	<u>6,499</u>
Result from investments			24	24
Financial income and expenses			(2,050)	(2,176)
Profit before tax			<u>6,751</u>	<u>4,347</u>
Tax on result			(1,549)	(924)
<b>Profit after tax</b>			<u><u>5,202</u></u>	<u><u>3,423</u></u>

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

	Assets		Liabilities	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Dealer Group Stern	257,528	267,470	168,633	178,212
Stern Financial Services	203,290	195,670	174,278	161,925
Stern Mobility Services	54,242	50,944	41,747	41,708
Other	75,400	71,611	54,190	53,071
Total	<u>590,460</u>	<u>585,695</u>	<u>438,848</u>	<u>434,916</u>

#### Goodwill

The goodwill consists mainly of goodwill acquired through business combinations. For the purpose of testing for impairment, goodwill acquired through business combinations allocated to the individual cash flow generating units Dealer Group Stern and Stern Financial Services. The impairment test as at 31 December 2015 shows that even significant changes to the assumptions used for the segments Dealer Group Stern and Stern Financial Services 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 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 is under investigation due to alleged irregularities. Stern Group believes that all its obligations have been met and is cooperating fully with the investigation.

#### Related party disclosures

No material transactions took place with related parties in H1-2016.

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 do not necessarily provide a forecast of the year-end results.

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 2015. We also refer to note 31 in the 2015 financial statements of Stern Groep N.V., which relates to financial risk management at Stern Groep N.V. No significant changes occurred in H1-2016.



#### **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 gives a true and fair representation of the assets, liabilities, financial position and result for the period 1 January 2016 to 30 June 2016 of Stern Groep N.V. and the companies included in the consolidation;
2. The financial report presents a true and fair picture of important events occurring in the period 1 January 2016 to 30 June 2016 and the effects thereof on this financial report, together with a description of the principal risks and uncertainties for the remaining six months of the year and major transactions with related parties.