# s.a. D’Ieteren n.v.

## 2017 Half-Yearly Financial Report

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# Declaration by Responsible Persons

**Statement on the true and fair view of the condensed consolidated interim financial statements and the fair overview of the management report**

Nicolas D'Ieteren, Chairman of the Board, and Axel Miller, Managing Director, certify, on behalf and for the account of s.a. D'Ieteren n.v., that, to the best of their knowledge, these condensed consolidated interim financial statements which have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, give a true and fair view of the equity, financial position and financial performance of s.a. D'Ieteren n.v. and the entities included in the consolidation as a whole, and the interim management report includes a fair overview of the development and performance of the business and the position of s.a. D'Ieteren n.v., and the entities included in the consolidation, together with a description of the principal risks and uncertainties which they are exposed to.

# Interim management report

*H1 2017 was a positive semester for D'Ieteren: its three activities realised solid sales growth and D'Ieteren group's key performance indicator (KPI) – the adjusted consolidated result before tax, group's share[1] – increased by 4.9% or by 2.8% excluding Moleskine.*

- *D'Ieteren Auto's strong sales performance reflects the continued supportive market trend and a significant market share gain in the light commercial vehicle segment. Its stable adjusted operating result[1] reflects the combined effect of volume growth, commercial incentives and the evolution of the brand/product mix.*
- *Belron's organic sales growth[5] was solid both in Europe and outside Europe. The adjusted operating result[1] improved by 6.9% in spite of mild winter conditions in the Northeast of the US, service extension costs and a higher charge related to the long term management incentive programme reflecting the expected improvement in future performance.*
- *Moleskine (included as from 1 October 2016) realised encouraging sales growth (+6.9%) supported by solid sales in particular in B2B and Retail. Its operating result reflects the company's strategy to invest in future growth. The sales momentum is set to accelerate in H2 2017.*

*D'Ieteren maintains its full-year guidance: the group aims at an adjusted consolidated result before tax, group's share[1], that is about 10% higher compared to EUR 241.6 million in 2016. This guidance is based on average foreign exchange rates for the full year that are in line with rates that prevailed on 30 June 2017.*

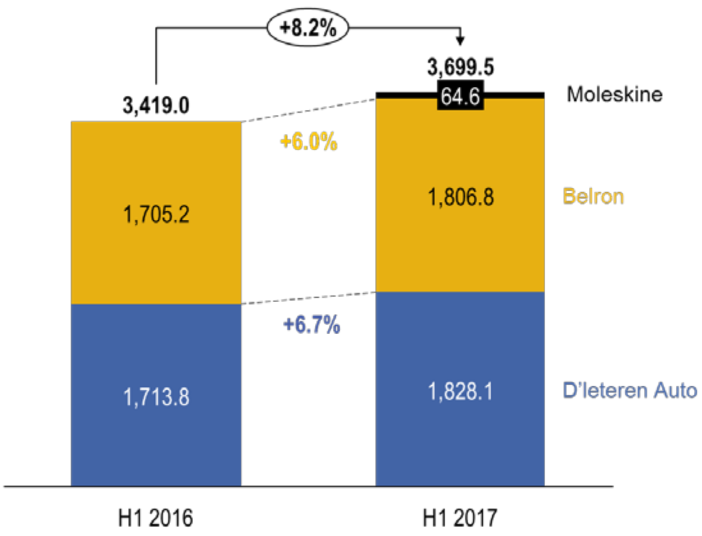
## GROUP SUMMARY

### A. SALES

**Consolidated sales** amounted to **EUR 3,699.5 million, +8.2%** year-on-year. The breakdown is as follows:

- **D'Ieteren Auto**: EUR 1,828.1 million, +6.7% year-on-year. The market share[2] reached 21.04% in H1 2017 compared with 21.47% in H1 2016 and 21.81% in FY 2016. The number of new vehicle deliveries increased by 6.9% to 71,987 units.
- **Belron**: EUR 1,806.8 million, +6.0% year-on-year, comprising 5.3% organic growth[5], 1.2% from acquisitions and a positive currency impact of 0.1% partially offset by a negative trading day effect[6] of 0.6%.
- **Moleskine** contributed EUR 64.6 million (+6.9% on a stand-alone basis) to D'Ieteren's consolidated sales in H1 2017. The EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) realised robust sales growth of respectively 10.1% and 9.1%. Solid sales growth was posted in particular in Retail (+22.2%) and B2B (+13.2%).

**Group sales by activity (€m)**



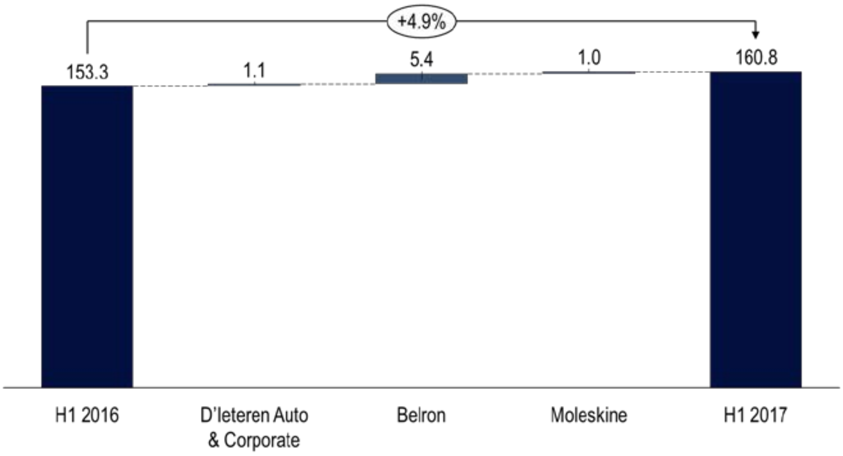

## B. RESULTS

- The **consolidated result before tax** reached EUR 117.2 million (EUR 154.9 million in H1 2016). Excluding *adjusting items*[1] (EUR -47.4 million), the *adjusted* consolidated result before tax[1] amounted to EUR 164.6 million (+5.2% year-on-year). At D'Ieteren Auto *adjusting items*[1] included costs related to the "Market Area" project. At Belron, *adjusting items*[1] comprised a goodwill impairment in Italy, an impairment on capitalised IT software in the US, amortisation of customer contracts and brands, fair value losses on US fuel hedges, costs related to the project to bring a minority partner into Belron and provisions for legal disputes.

- Our key performance indicator – the ***adjusted* consolidated result before tax, group's share**[1] – amounted to EUR 160.8 million, up 4.9%. It breaks down as follows:

- **D'Ieteren Auto and Corporate activities**: EUR 67.8 million, +1.6% year-on-year, reflecting the combined effect of solid volume growth, commercial incentives, the evolution of the brand/product mix and a positive net financial result. The net financial result includes interest income on intra-group lending.
- ***Belron:*** EUR 92.0 million, up 6.2% year-on-year including a EUR 7.1 million rise in the charge related to the long term management incentive programme, a mild winter in the Northeast of the US, service extension costs and higher net financial charges.
- **Moleskine's** contribution (EUR 1.0 million) reflects the company's strategy to invest in future growth and financing costs related to the acquisition by D'Ieteren.

**Segment contribution to the rise in adjusted consolidated result before tax, group's share[1] (€m)**




- The **group's share in the net result for the period** equalled EUR 77.0 million (EUR 108.8 million in H1 2016). The *adjusted* net profit, group's share[1], reached EUR 130.3 million, down 4.5% year-on-year. The decline is due to a net tax charge at D'Ieteren Auto and Corporate in 1H 2017 compared to a net tax benefit in 1H 2016.

## C. FINANCING OF THE ACTIVITIES

The group's consolidated net financial debt[3] reached 986.8 million at the end of June 2017 compared to EUR 993.5 million at year-end 2016 and EUR 521.7 million at the end of June 2016.

The net cash position[3] of the D'Ieteren Auto and Corporate segment decreased from EUR 277.8 million at the end of June 2016 to EUR 168.0 million at the end of June 2017 due to the Moleskine acquisition. Intra-group lending increased from EUR 75.0 million to EUR 330.2 million including EUR 180.5 million to Belron and EUR 149.7 million to Moleskine. The loan to Moleskine is a non-recourse loan in the framework of the acquisition.

Belron's net financial debt[3] rose from EUR 799.5 million at the end of June 2016 to EUR 853.4 million. EBITDA[4] generation (EUR 332 million) and the effect of a slightly weaker US dollar (EUR 18 million) were more than offset by interest paid (EUR 37 million) and tax payments (EUR 24 million), working capital needs (EUR 47 million), capex (EUR 178 million), acquisitions (EUR 41 million), dividend payments (EUR 56 million) and EUR 21 million cash outflow related to *adjusting* items[1]. The average net debt[3]/EBITDA[4] multiple reached 2.56. Private placement notes of USD 125 million and GBP 20 million matured in April 2017 and were reimbursed using headroom under existing bank facilities.

Moleskine's net debt[3] reached EUR 301.4 million (of which a EUR 149.7 million intra-group borrowing) at the end of June 2017.

## D. OUTLOOK FOR THE FY 2017

D'Ieteren maintains its full-year guidance: the group aims at an adjusted consolidated result before tax, group's share[1], that is about 10% higher compared to EUR 241.6 million in 2016. This guidance is based on average foreign exchange rates for the full year that are in line with rates that prevailed on 30 June 2017.

## 1. AUTOMOBILE DISTRIBUTION (D'IETEREN AUTO) AND CORPORATE ACTIVITIES

- **Excluding registrations of less than 30 days[2], the Belgian market increased by 5.1% year-on-year and D'Ieteren Auto's share reached 21.04% in H1 2017 (21.47% in H1 2016).**
- **New vehicle sales rose by 6.8% to EUR 1,620.2 million due to strong market growth and a significant market share gain in light commercial vehicles. Total sales rose by 6.7% to EUR 1,828.1 million.**
- **The operating result reached EUR 59.6 million (EUR 65.7 million in H1 2016):**
  - **The *adjusted* operating result[1] increased by 0.3% to EUR 63.1 million. The stable performance reflects a positive volume effect, commercial incentives and the evolution of the brand/product mix.**
  - **The *adjusting* items[1] comprised in the operating result reached EUR -3.5 million.**
- **The result before tax totalled EUR 61.7 million (EUR 66.9 million in H1 2016), down 7.8%.**
- **The *adjusted* result before tax, group's share[1], reached EUR 67.8 million (EUR 66.7 million in H1 2016), up 1.6%.**
- **The Belgian car market is expected to rise slightly in 2017. D'Ieteren Auto anticipates a marginal decline in market share.**

| €m | HY 2016 | | | % change adjusted items | HY 2017 | | | %change total |
|---|---|---|---|---|---|---|---|---|
| | | APM (non-GAAP measures) [1] | | | APM (non-GAAP measures) [1] | | | |
| | Total IFRS | Adjusting items | Adjusted items | | Adjusted items | Adjusting items | Total IFRS | |
| New vehicles delivered (in units) | 67,350 | - | - | - | - | - | 71,987 | 6.9% |
| External sales | 1,713.8 | - | 1,713.8 | 6.7% | 1,828.1 | - | 1,828.1 | 6.7% |
| Operating result | 65.7 | 2.8 | 62.9 | 0.3% | 63.1 | -3.5 | 59.6 | -9.3% |
| Net finance costs | -1.0 | -0.7 | -0.3 | | 1.7 | -1.3 | 0.4 | |
| Result before tax | 66.9 | 1.7 | 65.2 | 2.1% | 66.6 | -4.9 | 61.7 | -7.8% |
| *Adjusted* result before tax, group's share[1] | - | - | 66.7 | 1.6% | 67.8 | - | - | |

### 1.1 Activities and results

D'Ieteren Auto's sales increased by 6.7% to EUR 1,828.1 million in H1 2017 reflecting higher volumes, a marginal increase in list prices and the evolution in brand/product mix.

| *Net figures[2]* | *HY 2016* | *FY 2016* | *HY 2017* |
|---|---|---|---|
| **New car market (in units)** | 299,721 | 519,755 | 314,889 |
| *% change yoy* | *10.0%* | *10.4%* | *5.1%* |
| **Total market share new cars** | 21.47% | 21.81% | 21.04% |
| **Volkswagen** | 9.81% | 10.15% | 9.38% |
| **Audi** | 6.19% | 6.26% | 6.04% |
| **Škoda** | 3.59% | 3.57% | 3.64% |
| **Seat** | 1.24% | 1.24% | 1.36% |
| **Porsche** | 0.63% | 0.59% | 0.61% |
| **Bentley/Lamborghini** | 0.01% | 0.02% | 0.02% |
| **Market share light commercial vehicles** *(gross figures)* | 9.72% | 10.00% | 11.02% |

#### *New vehicles*

Excluding registrations of less than 30 days[2], the number of new car registrations in Belgium increased by 5.1% year-on-year to 314,889 units. Including these registrations, the Belgian market totalled 322,302 new car registrations, up 4.1% year-on-year. The share of diesel cars continued to decline (46.5% in H1 2017 compared to 51.8% in FY 2016). The share of new energy engines rose from 3.8% in FY 2016 to 4.9% in H1 2017.

Excluding registrations of less than 30 days[2], the market share of the brands distributed by D'Ieteren Auto reached 21.04% in H1 2017 (vs 21.47% in H1 2016). Including these registrations, the market share equalled 20.71% (vs 20.99% in H1 2016).

Volkswagen remained the Belgian market leader with a market share[2] of 9.38% (-43 bps year-on-year). Higher volumes of the Polo, Golf and Touran were offset by lower registrations of the Passat and Tiguan. Note that demand for the Tiguan was boosted in H1 2016 by the success of the Tiguan Edition (run-out version) and the launch of the new Tiguan. Audi's market share[2] reached 6.04% (-15 bps) supported by higher A5 and Q7 volumes and the contribution of the Q2 that was successfully launched in H2 2016. Long delivery times for the new Q5 and Q2 will postpone related revenues to later quarters. SEAT's share[2] improved by 12bps thanks to the success of the Ateca. Škoda's share[2] increased marginally thanks to the Superb and the newly launched Kodiaq. Porsche's market share[2] was stable at 0.61% reflecting higher registrations of the Porsche Macan, Panamera and 718. There were some delivery delays related to the Panamera Hybrid.

Registrations of new light commercial vehicles (0 to 6 tonnes) rose by 13.9% to 43,366 units. D'Ieteren Auto's share improved to 11.02% (vs 9.72% in H1 2016) reflecting a successful Brussels Motor Show in January and the launch of the new Crafter in March.

The total number of new vehicles, including commercial vehicles, delivered by D'Ieteren Auto in H1 2017 reached 71,987 units (+6.9% compared to H1 2016). New vehicle sales increased by 6.8% to EUR 1,620.2 million.

***Other activities***

The sale of spare parts and accessories reached EUR 94.7 million (-0.6% year-on-year). Revenues from after-sales activities of the corporately-owned dealerships increased by 0.9% to EUR 43.3 million. Used vehicle sales equalled EUR 35.7 million (+31.3%). D'Ieteren Sport's sales, which are mainly comprised of Yamaha motorbikes, quads and scooters, increased by 7.1% to EUR 18.1 million.

***Results***

The operating result reached EUR 59.6 million (EUR 65.7 million in H1 2016). The *adjusted* operating result[1] increased by 0.3% to EUR 63.1 million. The stable result reflects the positive impact from higher volumes, commercial incentives and the evolution of the brand/product mix.

The *adjusting* items[1] (EUR -3.5 million) comprised in the operating result include charges related to the implementation of the Market Area strategy.

Net financial income equalled EUR 0.4 million in H1 2017 (EUR -1.0 million in H1 2016) with financial costs more than offset by intra-company interest income on loans to Belron and Moleskine. Excluding *adjusting* items[1], the *adjusted* net financial income reached EUR 1.7 million in H1 2017. This compares with an *adjusted* net financial cost of EUR -0.3 million in H1 2016.

The result before tax reached EUR 61.7 million (compared to EUR 66.9 million in H1 2016, -7.8%). The *adjusted* result before tax, group's share[1], rose by 1.6% to EUR 67.8 million (EUR 66.7 million in H1 2016). The contribution of the equity accounted entities to the *adjusted* result before tax, group's share[1], amounted to EUR 3.0 million (EUR 4.1 million in H1 2016) reflecting growth related expenses (e.g. digitisation, move to new office) and changes in the calculation of risk cost provisions at VDFin.

Income tax expenses reached EUR -6.1 million compared to income tax revenue of EUR 1.6 million in H1 2016. *Adjusted*[1] tax expenses equalled EUR -7.9 million (compared to EUR 4.8 million *adjusted*[1] tax income in H1 2016). The reduction in the notional interest rate from 1.131% to 0.273% and movements in deferred tax assets related to the deductibility of certain provisions explain the swing between H1 2016 and H1 2017.

The result after tax, group's share, amounted to EUR 55.6 million (EUR 68.5 million in H1 2016). The *adjusted* result after tax, group's share[1], reached 58.7 million (EUR 70.0 million in H1 2016). The year-on-year evolution is due to the above mentioned tax effect.

**1.2 Key developments**

D'Ieteren Auto has signed a letter of intent to acquire two Rietje dealerships and a multi-brand body shop in the northern Antwerp region. The deal does not include the buildings. The closing is subject to the approval of the competition authorities. The deal is in line with D'Ieteren's strategy to reinforce its retail presence on the Antwerp-Brussels axis.

On 1 July 2017, D'Ieteren Auto sold its 50% stake in OTA Keys s.a. to Continental AG. OTA Keys was set up by D'Ieteren and Continental in 2014 to develop virtual key solutions. OTA Keys was included in D'Ieteren's accounts via the equity method. In H1 2017, D'Ieteren's share in OTA Keys' net loss amounted to EUR -0.6 million. A disposal gain of approximately EUR 3 million will be booked as an *adjusting* item[1] in H2 2017.

**1.3 Activity outlook 2017**

The Belgian new car market, excluding registrations of less than 30 days[2], should be up slightly in 2017. D'Ieteren Auto anticipates a marginal decline in market share.

At the end of July, D'Ieteren Auto's order book was 3% and 21% higher compared to the end of July 2016 and to the end of July 2015. Note that 2015 and 2017 were both "small" Brussels Motor Show edition years.

The attractive pipeline for the remainder of 2017 includes the launch of the Volkswagen 7-seater Tiguan, the Volkswagen T-Roc, the Škoda Karoq and the SEAT Arona. The Volkswagen Polo, the Audi A8, the SEAT Ibiza and Porsche Cayenne will be replaced.

Unchanged FY 2017 guidance: the *adjusted* result before tax, group's share[1], of D'Ieteren Auto including Corporate is expected to improve slightly.

## 2. VEHICLE GLASS REPAIR AND REPLACEMENT – BELRON

- **External sales (EUR 1,806.8 million) rose by 6.0% in H1 2017, comprising 5.3% organic growth[5], 1.2% growth from acquisitions and a positive currency translation effect of 0.1% partially offset by a negative trading day impact[6] of 0.6%. Belron served 8.3 million consumers (of which 6.3 million in Vehicle Glass Repair and Replacement), an increase of 6.6% compared to H1 2016.**
- **The operating result reached EUR 72.6 million (EUR 105.2 million in H1 2016):**
  - **The *adjusted* operating result[1] totalled EUR 115.1 million (+6.9%). Higher profits in most European markets was partly offset by service extension costs and a higher charge related to the long term management incentive plan reflecting the expected improvement in future performance. Profitability in the US was negatively impacted by a market decline due to mild winter conditions in the Northeast.**
  - ***Adjusting items*[1] amounted to EUR -42.5 million (see details on the following page).**
- **The result before tax totalled EUR 54.5 million (EUR 88.0 million in H1 2016), down 38.1%.**
- **The *adjusted* result before tax[1], group's share, reached EUR 92.0 million (EUR 86.6 million in H1 2016), up 6.2%.**
- **Belron continues to expect moderate organic sales growth[5] and a slightly lower *adjusted* result before tax, group share[1] for FY 2017. This is due to additional costs relating to the service extension programme, higher charges for the long term management incentive programme and foreign exchange headwinds (weaker US dollar).**

| €m | HY 2016 | | | % change adjusted items | HY 2017 | | | %change total |
|---|---|---|---|---|---|---|---|---|
| | | APM (non-GAAP measures)[1] | | | APM (non-GAAP measures)[1] | | | |
| | Total IFRS | Adjusting items | Adjusted items | | Adjusted items | Adjusting items | Total IFRS | |
| Number of consumers *(million)* | 7.8 | - | - | - | - | - | 8.3 | 6.6% |
| External sales | 1,705.2 | - | 1,705.2 | 6.0% | 1,806.8 | - | 1,806.8 | 6.0% |
| Operating result | 105.2 | -2.5 | 107.7 | 6.9% | 115.1 | -42.5 | 72.6 | -31.0% |
| Net finance costs | -16.4 | - | -16.4 | 10.4% | -18.1 | - | -18.1 | 10.4% |
| Result before tax | 88.0 | -3.3 | 91.3 | 6.2% | 97.0 | -42.5 | 54.5 | -38.1% |
| *Adjusted* result before tax, group's share[1] | - | - | 86.6 | 6.2% | 92.0 | - | - | - |

### 2.1 Activities and results

***Sales***

Belron's sales reached EUR 1,806.8 million during H1 2017, a year-on-year increase of 6.0%, comprising a 5.3% organic increase[5], 1.2% growth from acquisitions and a positive currency translation impact of 0.1% partially offset by a negative trading day effect[6] of 0.6%. Total Vehicle Glass Repair and Replacement (VGRR) consumers increased by 3.4% to 6.3 million. The currency translation impact is primarily due to the weaker British pound offset by slightly stronger US, Canadian and Australian dollars.

| Consumers (million) | H1 2016 | H1 2017 | % Change |
|---|---|---|---|
| Vehicle Glass Repair and Replacement (VGRR) | 6.12 | 6.33 | 3% |
| Claims Management | 1.61 | 1.89 | 17% |
| Automotive Damage Repair and Replacement (ADRR) | 0.03 | 0.05 | 61% |
| Home Damage Repair and Replacement (HDRR) | 0.03 | 0.03 | -3% |
| **Total** | **7.79** | **8.30** | **7%** |

European sales increased by 6.3%, consisting of a 6.7% organic[5] increase and 2.4% from acquisitions, partially offset by a negative trading day impact[6] of 1.2% and an adverse currency translation effect of 1.6%. The organic[5] sales improvement was widespread and especially strong in France and Germany. It was underpinned by market share gains, a positive price/mix effect and higher revenues from ancillary products. The organic[5] sales growth was achieved despite market declines in the majority of Belron's European markets. External growth mainly relates to the inclusion of CARe Carrosserie (Belgium) from 31 March 2017, as well as the prior year acquisitions in Finland and Spain. The negative currency impact is primarily due to the weaker British pound.

Outside of Europe, sales increased by 5.6% comprising an organic sales[5] increase of 4.1%, growth from acquisitions of 0.3% and a positive currency effect of 1.5% partly offset by an adverse trading day impact[6] of 0.3%. US organic sales growth[5] improved in Q2 2017 after a tough Q1 when mild winter conditions in the Northeast dampened VGRR revenues.

***Results***

The operating result reached EUR 72.6 million (H1 2016: EUR 105.2 million). The *adjusted* operating result[1] improved by 6.9% to EUR 115.1 million. Profits were up in most European markets with in particular solid improvements in France and Germany. The UK continued its recovery with a small profit in H1 2017 compared to a loss last year. Many of the smaller countries also delivered encouraging results. The drop in US profitability mainly resulted from the market decline due to mild winter conditions in the Northeast. Charges related to the long term management incentive programme equalled EUR 13.3 million (H1 2016: EUR 6.2 million).

*Adjusting items*[1] in operating result amounting to EUR -42.5 million comprise:

- Goodwill impairment related to Italy (EUR -16.0 million)
- An impairment on capitalised IT software costs in the US (EUR -4.0 million)
- Amortisation of brands (EUR -0.4 million) and customer contracts (EUR -3.3 million)
- Losses on US fuel hedges (EUR -2.8 million)
- Professional fees (EUR -4.7 million) related to the project to bring a minority partner into Belron
- Provisions for legal disputes (EUR -11.3 million)

The net finance costs amounted to EUR 18.1 million (H1 2016: EUR 16.4 million). EUR 1.0 million of this increase relates to higher imputed interest on the UK pension scheme. Net finance costs did not include any *adjusting items*[1] in H1 2016 and H1 2017.

The result before tax fell by 38.1% to EUR 54.5 million. The *adjusted* result before tax, group's share[1] increased by 6.2% to EUR 92.0 million.

Income tax expenses reached EUR 33.6 million (EUR 20.6 million in H1 2016). The rise in effective tax rate is primarily the result of the impairment charges totalling EUR 20 million for which no tax relief is available.

The result after tax, group's share, decreased by 50.9% to EUR 19.8 million. The *adjusted* result after tax, group's share[1], improved by 5.4% to EUR 70.0 million.

**2.2 Key developments**

The core VGRR business has continued to show solid progress despite continued market challenges. The US business served a record number of customers in the first half of 2017. In Europe, the foundation stone was laid for the new European distribution centre in Bilzen (Belgium). This new facility which will become Belron's largest distribution centre, will consolidate the three sites currently used in Belgium.

The business has also made good progress on its service extension ambition. The acquisition of CARe Carrosserie, a Belgian specialist in automotive damage repair was completed on 31 March 2017. In July 2017, Belron announced the signing of an agreement to acquire Eurocar Point, a franchise network of 250 body shops in Italy. The deal is expected to close in September 2017. In addition to these acquisitions, the company substantially expanded its claims management activities with 1.9 million consumers served in H1 2017 representing a 17% rise compared to H1 2016.

At the beginning of May 2017, D'Ieteren announced that it is exploring the potential to bring a minority partner into Belron. The non-binding offers were received by the end of July and the process continues with a more limited number of interested parties which will have to submit binding offers by end of October. The partial sale of Belron shares to a minority partner would allow D'Ieteren to broaden its activities and pursue its long-term strategy which aims to invest in other activities with high growth potential. Belron's management is fully aligned with this potential transaction which is consistent with Belron's strategic vision. D'Ieteren will continue to provide full support to Belron's development, both in the vehicle glass repair and replacement market and in the ongoing search for new services.

**2.3 Activity outlook 2017**

Belron continues to expect moderate organic sales growth[5] for FY 2017 and a slightly lower *adjusted* result before tax, group's share[1]. This is due to additional costs relating to the service extension programme, higher charges this year for the long term management incentive programme and foreign exchange headwinds (weaker US dollar).

## 3. MOLESKINE

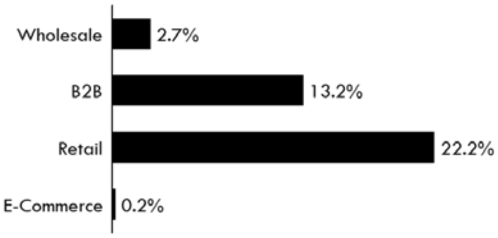
- **Moleskine's results were fully consolidated in D'Ieteren's accounts as from 1 October 2016.**
- **Moleskine's contribution to D'Ieteren's H1 2017 figures:**
  - **Sales: EUR 64.6 million**
  - **Operating result: EUR 6.1 million**
  - ***Adjusted* result before tax, group's share[1]: EUR 1.0 million**
- **Highlights of Moleskine's H1 2017 performance on a stand-alone basis:**
  - **Revenues rose by 6.9% to EUR 64.6 million (+6.1% at constant exchange rates) reflecting solid growth in B2B and Retail. A different phasing of orders compared to last year, challenges faced by some US retailers and the timing of new product launches are the main reasons behind the evolution in Wholesale revenue growth (2.7%) in H1 2017.**
  - **The operating result reached EUR 6.1 million versus EUR 12.6 million in H1 2016 reflecting the company's strategy to invest in future growth.**
- **Sales growth is expected to pick up in H2 2017 on the back of the roll-out of new product launches, the strong pipeline of B2B projects and resumed momentum in direct-to-consumer channels. Excluding the financing costs related to the acquisition by D'Ieteren, the *adjusted* consolidated result before tax, group's share[1], is expected to grow by more than 10% in FY 2017.**

### 3.1 Activities and results

***Sales***

Moleskine's sales increased by 6.9% to EUR 64.6 million (+6.1% at constant exchange rates) in H1 2017.

**Sales growth in H1 2017 at actual exchange rates**





The EMEA (+10.1%) and APAC (+9.1%) regions continued to realise solid growth. The trend in the Americas (+2.6%) reflects strong growth in Retail (+17.1% at constant exchange rates) and stable revenues in Wholesale.

**Wholesale** revenues (63% of total) increased by 2.7% at actual exchange rates in 1H17 reflecting solid growth in EMEA and APAC and stable sales in the Americas. Sales growth in the EMEA (+4.2%) was mainly driven by Germany, Switzerland, Austria, France, Spain and the Scandinavian countries partially offset by UK. The 5.2% sales growth in the APAC region mainly reflects progress in Australia and China partially offset by Japan where the negotiation related to a switch to direct distribution as from the beginning of 2018 was finalized. The slowdown in the Americas reflects a different quarterly phasing of orders compared to last year and challenges faced by some US retailers.

Revenues in the **B2B** channel increased by 13.2% with strong growth rates in EMEA and APAC thanks to solid organic growth[5] and the landing of large orders.

**Retail** revenues increased by 22.2%. The number of directly operated stores reached 78 at the end of H1 2017 (+14 net openings year-on-year). Softer like-for-like sales performance reflects a tough base of comparison due to the launch of the Smart Writing Set and the implementation of operational improvements in 1H16.

The evolution of **E-Commerce** revenues (+0.2%) also reflects an ongoing change in the IT E-Commerce platform and a tough base of comparison because of the launch of the Smart Writing Set in 1H16.

***Results***

The operating result reached EUR 6.1 million in H1 2017 compared to EUR 12.6 million in H1 2016 reflecting investments (e.g. marketing, communication, logistics, IT, consultancy) in future growth. The headcount increased from 386 FTE at the end of 1H 2016 to 459 at the end of 1H 2017 as the company is strengthening its organization.
Moleskine's a*djusted* result before tax, group's share[1] (EUR 1.0 million) was impacted by financing costs related to the acquisition by D'Ieteren.

**3.2 Key developments**

Moleskine continued to innovate while broadening and strengthening the depth of its product offering during H1 2017. Within paper-based product category, the company launched two new Limited Editions (Peter Pan and Beauty and the Beast) and a new line of bags (ID Collection) was introduced in the non-paper product category.

In June, Moleskine was welcomed at Pitti Uomo, one of the world's most important platforms for men's clothing and accessory collections, a clear indication of the growing notoriety and legitimacy of the Moleskine brand in the non-paper product categories. For this occasion Moleskine presented a preview of the new Nomad bags collection which will be launched in 2018 and a capsule collection of Classic bags created by designer Giulio Iacchetti and decorated by the acclaimed New York street artist Bradley Theodore.

**3.3 Activity outlook for 2017**

Sales growth is expected to be solid in the second half of 2017. Wholesale revenue growth will be underpinned by new product launches (e.g. Smart Planner and new bags collections) and visual merchandising projects at key retailers. The solid B2B order book bodes well for the remainder of the year and Retail sales momentum should accelerate thanks to new product launches and related marketing campaigns aimed at increasing in-store traffic. E-commerce revenues are expected to be stable in the FY 2017 due to the on-going migration to a new platform which should deliver growth as from 2018 thanks to a significantly improved shopping experience on mobile devices.

Moleskine reiterates its outlook: excluding the financing costs related to the acquisition by D'Ieteren, the adjusted consolidated result before tax, group's share[1], is expected to grow by more than 10% in 2017.

**Notes**

*[1] In order to better reflect its underlying performance and assist investors in gaining a better understanding of its financial performance, D'Ieteren uses Alternative Performance Measures ("APMs"). These APMs are non-GAAP measures, i.e. their definitions are not addressed by IFRS. D'Ieteren 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. See page 11 for the definition of these performance indicators.*

*[2] In order to provide an accurate picture of the car market, Febiac publishes market figures excluding registrations that have been cancelled within 30 days. Most of them relate to vehicles that are unlikely to have been put into circulation in Belgium by the end customer.*

*[3] The net financial debt is not an IFRS indicator. D'Ieteren uses this Alternative Performance Measure to reflect its indebtedness. This non-GAAP indicator is defined as the sum of the borrowings minus cash, cash equivalents and investments in non-current and current financial assets. See page 16.*

*[4] EBITDA is not an IFRS indicator. This APM (non-GAAP indicator) is defined as earnings before interest, taxes, depreciation and amortization. Since the method for calculating the EBITDA is not governed by IFRSs, the method applied by the Group may not be the same as that adopted by others and therefore may not be comparable.*

*[5] "Organic growth" is an Alternative Performance Measure used by the Group to measure the evolution of revenue between two consecutive periods, at constant currency and excluding the impact of change in perimeter of consolidation or business acquisitions.*

*[6] "Trading day effect" is an Alternative Performance Measure that measures the impact of local bank holidays, leap years and difference between calendar periods and accounting periods.*

## 4. ALTERNATIVE PERFORMANCE MEASUREMENT (APM) – NON-GAAP MEASUREMENT

**Framework and definitions**

In order to better reflect its underlying performance and assist investors, securities analysts and other interested 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 are not addressed by IFRS. They are derived from the audited IFRS accounts. The APMs may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's performance or liquidity under 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 (see below), and each subtotal of the segment statement of profit or loss (see below), 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, giving to the investors a better view on the way the Group is measuring and managing its financial performance. They 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 consists of the IFRS reported result, excluding *adjusting* items as listed above.

The Group uses as key performance indicator the *adjusted* consolidated result before tax, Group's share (*Adjusted* PBT, Group's share). This APM consists of the IFRS reported result before tax (PBT), excluding *adjusting* items and excluding the share of minority shareholders.

**Presentation of APMs in the consolidated statement of profit or loss for the 6-month period ended 30 June**

| EUR million | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Total** | *Of which Adjusted result* | *Of which Adjusting items* | **Total** | *Of which Adjusted result* | *Of which Adjusting items* |
| **Revenue** | **3,699.5** | *3,699.5* | *-* | **3,419.0** | *3,419.0* | *-* |
| Cost of sales | -2,575.7 | *-2,569.4* | *-6.3* | -2,380.9 | *-2,383.6* | *2.7* |
| **Gross margin** | **1,123.8** | *1,130.1* | *-6.3* | **1,038.1** | *1,035.4* | *2.7* |
| Commercial and administrative expenses | -952.7 | *-945.0* | *-7.7* | -872.8 | *-865.2* | *-7.6* |
| Other operating income | 2.7 | *2.7* | *-* | 6.1 | *1.0* | *5.1* |
| Other operating expenses | -35.5 | *-3.5* | *-32.0* | -0.5 | *-0.6* | *0.1* |
| **Operating result** | **138.3** | *184.3* | *-46.0* | **170.9** | *170.6* | *0.3* |
| Net finance costs | -22.8 | *-21.5* | *-1.3* | -17.4 | *-16.7* | *-0.7* |
| Finance income | 0.6 | *0.6* | *-* | 0.7 | *0.7* | *-* |
| Finance costs | -23.4 | *-22.1* | *-1.3* | -18.1 | *-17.4* | *-0.7* |
| Share of result of equity-accounted investees, net of income tax | 1.7 | *1.8* | *-0.1* | 1.4 | *2.6* | *-1.2* |
| **Result before tax** | **117.2** | *164.6* | *-47.4* | **154.9** | *156.5* | *-1.6* |
| Income tax expense | -39.1 | *-30.5* | *-8.6* | -19.0 | *-16.5* | *-2.5* |
| **Result from continuing operations** | **78.1** | *134.1* | *-56.0* | **135.9** | *140.0* | *-4.1* |
| Discontinued operations | - | *-* | *-* | -24.9 | *-* | *-24.9* |
| **RESULT FOR THE PERIOD** | **78.1** | *134.1* | *-56.0* | **111.0** | *140.0* | *-29.0* |
| **Result attributable to:** | | | | | | |
| **Equity holders of the Company** | **77.0** | *130.3* | *-53.3* | **108.8** | *136.4* | *-27.6* |
| Non-controlling interests | 1.1 | *3.8* | *-2.7* | 2.2 | *3.6* | *-1.4* |
| Earnings per share | | | | | | |
| Basic (EUR) | 1.40 | *2.38* | *-0.98* | 1.99 | *2.49* | *-0.50* |
| Diluted (EUR) | 1.40 | *2.38* | *-0.98* | 1.99 | *2.49* | *-0.50* |

**Presentation of APMs in the segment statement of profit or loss for the 6-month period ended 30 June**

The Group's reportable operating segments are Automobile Distribution, Vehicle Glass and Moleskine (as from October 2016). The Automobile Distribution segment includes the automobile distribution activities as well as corporate activities. These operating segments are consistent with the Group's organisational and internal reporting structure.

| **EUR million** | **2017** | | | | | **2016** | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Auto-mobile Distri-bution** | **Vehicle Glass** | **Moleskine** | **Elimi-nations** | **Group** | **Auto-mobile Distri-bution** | **Vehicle Glass** | **Elimi-nations** | **Group** |
| External revenue | 1,828.1 | 1,806.8 | 64.6 | - | 3,699.5 | 1,713.8 | 1,705.2 | - | 3,419.0 |
| Inter-segment revenue | 4.3 | - | - | -4.3 | - | 4.0 | - | -4.0 | - |
| **Segment revenue** | **1,832.4** | **1,806.8** | **64.6** | **-4.3** | **3,699.5** | **1,717.8** | **1,705.2** | **-4.0** | **3,419.0** |
| **Operating result (being segment result)** | **59.6** | **72.6** | **6.1** | **-** | **138.3** | **65.7** | **105.2** | **-** | **170.9** |
| *Of which Adjusted result* | *63.1* | *115.1* | *6.1* | *-* | *184.3* | *62.9* | *107.7* | *-* | *170.6* |
| *Adjusting items* | *-3.5* | *-42.5* | *-* | *-* | *-46.0* | *2.8* | *-2.5* | *-* | *0.3* |
| Net finance costs | 0.4 | -18.1 | -5.1 | - | -22.8 | -1.0 | -16.4 | - | -17.4 |
| Finance income | 0.3 | 0.2 | 0.1 | - | 0.6 | 0.4 | 0.3 | - | 0.7 |
| Finance costs | -2.6 | -17.8 | -3.0 | - | -23.4 | -1.7 | -16.4 | - | -18.1 |
| Inter-segment financing interest | 2.7 | -0.5 | -2.2 | - | - | 0.3 | -0.3 | - | - |
| Share of result of equity-accounted investees, net of income tax | 1.7 | - | - | - | 1.7 | 2.2 | -0.8 | - | 1.4 |
| **Result before tax** | **61.7** | **54.5** | **1.0** | **-** | **117.2** | **66.9** | **88.0** | **-** | **154.9** |
| *Of which Adjusted result* | *66.6* | *97.0* | *1.0* | *-* | *164.6* | *65.2* | *91.3* | *-* | *156.5* |
| *Adjusting items* | *-4.9* | *-42.5* | *-* | *-* | *-47.4* | *1.7* | *-3.3* | *-* | *-1.6* |
| Income tax expense | -6.1 | -33.6 | 0.6 | - | -39.1 | 1.6 | -20.6 | - | -19.0 |
| **Result from continuing operations** | **55.6** | **20.9** | **1.6** | **-** | **78.1** | **68.5** | **67.4** | **-** | **135.9** |
| *Of which Adjusted result* | *58.7* | *73.8* | *1.6* | *-* | *134.1* | *70.0* | *70.0* | *-* | *140.0* |
| *Adjusting items* | *-3.1* | *-52.9* | *-* | *-* | *-56.0* | *-1.5* | *-2.6* | *-* | *-4.1* |
| Discontinued operations | - | - | - | - | - | - | -24.9 | - | -24.9 |
| **RESULT FOR THE PERIOD** | **55.6** | **20.9** | **1.6** | **-** | **78.1** | **68.5** | **42.5** | **-** | **111.0** |

| **Attributable to:** | **Auto-mobile Distri-bution** | **Vehicle Glass** | **Moleskine** | **Elimi-nations** | **Group** | **Auto-mobile Distri-bution** | **Vehicle Glass** | **Elimi-nations** | **Group** |
|---|---|---|---|---|---|---|---|---|---|
| **Equity holders of the Company** | **55.6** | **19.8** | **1.6** | **-** | **77.0** | **68.5** | **40.3** | **-** | **108.8** |
| *Of which Adjusted result* | *58.7* | *70.0* | *1.6* | *-* | *130.3* | *70.0* | *66.4* | *-* | *136.4* |
| *Adjusting items* | *-3.1* | *-50.2* | *-* | *-* | *-53.3* | *-1.5* | *-26.1* | *-* | *-27.6* |
| Non-controlling interests | - | 1.1 | - | - | 1.1 | - | 2.2 | - | 2.2 |
| **RESULT FOR THE PERIOD** | **55.6** | **20.9** | **1.6** | **-** | **78.1** | **68.5** | **42.5** | **-** | **111.0** |

**Explanations and details of the figures presented as *adjusting* items**

In the 6-month period ended 30 June 2017 and 30 June 2016, the Group identified the following items as *adjusting* items:

| EUR million | 2017 | | | | 2016 | | |
|---|---|---|---|---|---|---|---|
| | Automobile Distribution | Vehicle Glass | Moleskine | Group | Automobile Distribution | Vehicle Glass | Group |
| ***Adjusting* items** | | | | | | | |
| **Included in operating result** | **-3.5** | **-42.5** | **-** | **-46.0** | **2.8** | **-2.5** | **0.3** |
| *Re-measurements of financial instruments* | *-* | *-2.8 (d)* | *-* | *-2.8* | *-* | *2.4 (d)* | *2.4* |
| *Amortisation of customer contracts* | *-* | *-3.3 (e)* | *-* | *-3.3* | *-* | *-4.6 (e)* | *-4.6* |
| *Amortisation of brands with finite useful life* | *-* | *-0.4 (f)* | *-* | *-0.4* | *-* | *-0.5 (f)* | *-0.5* |
| *Impairment of goodwill and of non-current assets* | *-* | *-20.0 (g)* | *-* | *-20.0* | *-* | *- (g)* | *-* |
| *Other adjusting items* | *-3.5 (a)* | *-16.0 (h)* | *-* | *-19.5* | *2.8 (a)* | *0.2 (h)* | *3.0* |
| **Included in net finance costs** | **-1.3** | **-** | **-** | **-1.3** | **-0.7** | **-** | **-0.7** |
| *Re-measurements of put options granted to non-controlling interests* | *-1.3 (b)* | *-* | *-* | *-1.3* | *-0.7 (b)* | *-* | *-0.7* |
| **Included in equity accounted result** | **-0.1** *(c)* | **-** | **-** | **-0.1** | **-0.4** *(c)* | **-0.8** *(i)* | **-1.2** |
| **Included in result before taxes (PBT)** | **-4.9** | **-42.5** | **-** | **-47.4** | **1.7** | **-3.3** | **-1.6** |

Automobile Distribution

(a) In the period, other adjusting items in operating result include a charge of EUR 3.5 million in the framework of the "Market Area" project (optimization of the independent dealer network). In the prior period, other adjusting items in operating result included a gain of EUR 5.0 million on the sale of buildings previously used for activities, a gain of EUR 2.8 million on the partial release of provisions recognised in December 2015 in relation to the "Emissiongate", and a charge of EUR 5.0 million in the framework of the "Market Area" project.

(b) Net finance costs include a re-measurement charge of put options granted to certain non-controlling interests (family holding company of Belron's CEO) amounting to EUR -1.3 million (EUR -0.7 million in the prior period).

(c) In the period, the share of the Group in the *adjusting* items of entities accounted for using the equity method amounts to EUR -0.1 million (EUR -0.4 million in the prior period) and is related to the amortisation of intangible assets with a finite useful life (intangible IT assets recognised in the framework of the contribution to OTA Keys s.a. of development activities around virtual key solutions) and, in 2016, was also related to the amortisation of intangible assets with a finite useful life (customer contracts recognised in the framework of the contribution of D'Ieteren Lease's operating leases activities to Volkswagen D'Ieteren Finance – fully amortised as at 31 December 2016) and to additional write-downs related to the "Emissiongate" (Volkswagen D'Ieteren Finance).

Vehicle Glass

(d) Fair value of fuel hedge instruments amounts to EUR -2.8 million (EUR 2.4 million in the prior period) and arises from changes in the "clean" fair value of derivatives. Change in "clean" fair value of derivatives corresponds to the change of "dirty" fair value (i.e. the change of value between the opening and the end of the period) excluding the accrued cash flows of the derivatives that occurred during the period.

(e) In the framework of recent acquisitions, certain customer contracts were recognised as intangible assets with a finite useful life. In the period, the amortisation amounts to EUR 3.3 million (EUR 4.6 million in the prior period). EUR 1.9 million relates to the US, of which the largest component dates back to the original Safelite acquisition ten years ago and this has now been fully amortized.

(f) The amortisation of brands with finite useful lives (certain brands are no longer considered to be intangibles with indefinite useful lives since there is now a limit to the period over which these assets are expected to generate cash inflows) amounts to EUR 0.4 million (EUR 0.5 million in the prior period).

(g) In the period, a total impairment charge of EUR 20 million is recognized and comprises:
   - An impairment charge of EUR 16 million on the Italian cash-generating unit, fully allocated to the goodwill, following the formal impairment calculation performed on Italy. With revised downward views on the future financial performance of the business in Italy, due to more challenging market conditions particularly in the latter part of the projection period, the Vehicle Glass segment concluded that a triggering event existed at half-year and performed an impairment test.
   - An impairment charge of EUR 4.0 million on capitalised IT software costs in the United States following a decision to terminate a project to develop a new supply chain system.

(h) In the period, other *adjusting* items of EUR -16.0 million comprise professional fees (EUR -4.7 million) related to the project to bring a minority partner in the business (see press release dated 2 May 2017) and provision costs (EUR -11.3 million) for one settled (Brazil) and two on-going (United States and United Kingdom) legal disputes.

   In the prior period, other *adjusting* items (EUR 0.2 million) related to the partial release of the France restructuring provision.

(i) In the prior period, EUR -0.8 million related to the full write-off of the 40% interest in Carglass Brazil.

**Reconciliations between APMs and IFRS reported figures**

| EUR million | 2017 | | | | 2016 | | |
|---|---|---|---|---|---|---|---|
| | Automobile Distribution | Vehicle Glass | Moleskine | Group | Automobile Distribution | Vehicle Glass | Group |
| **From reported PBT to *adjusted* PBT, Group's share:** | | | | | | | |
| **Reported PBT** | **61.7** | **54.5** | **1.0** | **117.2** | **66.9** | **88.0** | **154.9** |
| Less: *Adjusting* items in PBT | 4.9 | 42.5 | - | 47.4 | -1.7 | 3.3 | 1.6 |
| ***Adjusted* PBT** | **66.6** | **97.0** | **1.0** | **164.6** | **65.2** | **91.3** | **156.5** |
| Less: Share of the group in tax on *adjusted* results of equity-accounted investees | 1.2 | - | - | 1.2 | 1.5 | - | 1.5 |
| Share of non-controlling interests in *adjusted* PBT | - | -5.0 | - | -5.0 | - | -4.7 | -4.7 |
| ***Adjusted* PBT, Group's share** | **67.8** | **92.0** | **1.0** | **160.8** | **66.7** | **86.6** | **153.3** |
| **From *adjusted* PBT Group's share, to *adjusted* PAT, Group's share:** | | | | | | | |
| *Adjusted* PBT, Group's share | 67.8 | 92.0 | 1.0 | 160.8 | 66.7 | 86.6 | 153.3 |
| Share of the group in tax on *adjusted* result of equity-accounted investees | -1.2 | - | - | -1.2 | -1.5 | - | -1.5 |
| *Adjusted* tax, Group's share | -7.9 | -22.0 | 0.6 | -29.3 | 4.8 | -20.2 | -15.4 |
| ***Adjusted* PAT, Group's share** | **58.7** | **70.0** | **1.6** | **130.3** | **70.0** | **66.4** | **136.4** |
| **From *adjusted* PAT, Group's share, to *adjusted* result for the period attributable to equity holder of the Company** | | | | | | | |
| *Adjusted* PAT, Group's share | 58.7 | 70.0 | 1.6 | 130.3 | 70.0 | 66.4 | 136.4 |
| Share of the group in *adjusted* discontinued operations | - | - | - | - | - | - | - |
| ***Adjusted* result of the period attributable to equity holders of the Company** | **58.7** | **70.0** | **1.6** | **130.3** | **70.0** | **66.4** | **136.4** |

**Key Performance Indicator**

| EUR million | 2017 | | | | 2016 | | |
|---|---|---|---|---|---|---|---|
| | Automobile Distribution | Vehicle Glass | Moleskine | Group | Automobile Distribution | Vehicle Glass | Group |
| ***Adjusted* PBT, Group's share** | **67.8** | **92.0** | **1.0** | **160.8** | **66.7** | **86.6** | **153.3** |
| Excluding: | | | | | | | |
| Contribution of Moleskine | | - | -1.0 | -1.0 | - | - | - |
| Inter-segment financing income | -2.2 | - | - | -2.2 | - | - | - |
| ***Adjusted* PBT, Group's share (constant perimeter)** | **65.6** | **92.0** | **-** | **157.6** | **66.7** | **86.6** | **153.3** |

In the Automobile Distribution segment, the EUR -2.2 million relates to the inter-segment financing income on the loan granted to Moleskine in the framework of the acquisition.

**Net debt**

In order to better reflect its indebtedness, the Group uses the concept of net debt. This non-GAAP measure, i.e. its definition is not addressed by IFRS, is an Alternative Performance Measure ("APM") and is not presented as an alternative to financial measures determined in accordance with IFRS. 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. The hedged loans and borrowings (i.e. those that are accounted for in accordance with the hedge accounting rules of IAS 39) are translated at the contractual foreign exchange rates of the related cross currency swaps. The other loans and borrowings are translated at closing foreign exchange rates.

| EUR million | 30 June 2017 | | | | 30 June 2016 | | |
|---|---|---|---|---|---|---|---|
| | Automobile Distribution | Vehicle Glass | Moleskine | Group | Automobile Distribution | Vehicle Glass | Group |
| Non-current loans and borrowings | 2.2 | 607.4 | 138.3 | 747.9 | 5.3 | 575.1 | 580.4 |
| Current loans and borrowings | 187.7 | 101.4 | 51.3 | 340.4 | 9.9 | 183.4 | 193.3 |
| Inter-segment loans | -330.2 | 180.5 | 149.7 | - | -75.0 | 75.0 | - |
| **Gross debt** | **-140.3** | **889.3** | **339.3** | **1,088.3** | **-59.8** | **833.5** | **773.7** |
| Less: Cash and cash equivalents | -5.3 | -35.9 | -37.9 | -79.1 | -171.8 | -34.0 | -205.8 |
| Less: Held-to-maturity investments | - | - | - | - | -25.0 | - | -25.0 |
| Less: Other non-current receivables | -20.0 | - | - | -20.0 | -20.0 | - | -20.0 |
| Less: Other current receivables | -2.4 | - | - | -2.4 | -1.2 | - | -1.2 |
| **Total net debt** | **-168.0** | **853.4** | **301.4** | **986.8** | **-277.8** | **799.5** | **521.7** |

The inter-segment loans comprise amounts lent by the Automobile Distribution segment to the Vehicle Glass segment and to the Moleskine segment (non-recourse loan in the framework of the acquisition), at arm's length conditions.

In the period, in the Vehicle Glass segment, private placement notes of USD 125 million and GBP 20 million matured in April 2017 and were reimbursed using headroom under existing bank facilities. In the period, in the Vehicle Glass segment, current loans and borrowings comprise an US private placement of USD 50 million (ca. EUR 44 million) maturing in April 2018.

## MAJOR RISK FACTORS

To the best of our knowledge, there are no other major risks influencing the remaining six months of the financial year than those disclosed on pages 70-73 and 93-97 of our 2016 financial and directors' report.

# Condensed Consolidated Interim Financial Statements

## Consolidated Statement of Profit or Loss

6-month period ended 30 June

| EUR million | Notes | 2017 | 2016 |
|---|---|---|---|
| **Revenue** | | **3,699.5** | **3,419.0** |
| Cost of sales | | -2,575.7 | -2,380.9 |
| **Gross margin** | | **1,123.8** | **1,038.1** |
| Commercial and administrative expenses | | -952.7 | -872.8 |
| Other operating income | | 2.7 | 6.1 |
| Other operating expenses | 7 | -35.5 | -0.5 |
| **Operating result** | | **138.3** | **170.9** |
| Net finance costs | | -22.8 | -17.4 |
| Finance income | | 0.6 | 0.7 |
| Finance costs | | -23.4 | -18.1 |
| Share of result of equity-accounted investees, net of income tax | 5 | 1.7 | 1.4 |
| **Result before tax** | | **117.2** | **154.9** |
| Income tax expense | 6 | -39.1 | -19.0 |
| **Result from continuing operations** | | **78.1** | **135.9** |
| Discontinued operations | | - | -24.9 |
| **RESULT FOR THE PERIOD** | | **78.1** | **111.0** |
| **Result attributable to:** | | | |
| **Equity holders of the Company** | | **77.0** | **108.8** |
| Non-controlling interests (“NCI”) | | 1.1 | 2.2 |
| Earnings per share | | | |
| Basic (EUR) | 10 | 1.40 | 1.99 |
| Diluted (EUR) | 10 | 1.40 | 1.99 |
| Earnings per share - Continuing operations | | | |
| Basic (EUR) | 10 | 1.40 | 2.42 |
| Diluted (EUR) | 10 | 1.40 | 2.42 |

The notes on pages 22 to 32 are an integral part of these condensed consolidated interim financial statements.
The Group uses Alternative Performance Measures (non-GAAP measures) to reflect its financial performance – See interim management report and press release.

# Consolidated Statement of Comprehensive Income

6-month period ended 30 June

| EUR million | Notes | 2017 | 2016 |
|---|---|---|---|
| Result for the period | | 78.1 | 111.0 |
| Other comprehensive income | | | |
| Items that will never be reclassified to profit or loss: | | 23.8 | -19.9 |
| *Re-measurements of defined benefit liabilities/assets* | *8* | *30.1* | *-24.8* |
| *Related tax* | | *-5.4* | *4.9* |
| *Equity-accounted investees - share of OCI (defined benefits, net of tax)* | | *-0.9* | *-* |
| | | | |
| Items that may be reclassified subsequently to profit or loss: | | -19.9 | 12.0 |
| *Translation differences* | | *-19.1* | *-13.0* |
| *Reclassification of foreign currency difference on loss of control* | | *-* | *24.9* |
| *Cash flow hedges: fair value gains (losses) in equity* | | *-0.7* | *0.5* |
| *Tax relating to cash flow hedges* | | *-0.1* | *-0.4* |
| | | | |
| Other comprehensive income, net of tax | | 3.9 | -7.9 |
| | | | |
| **Total comprehensive income for the period** | | **82.0** | **103.1** |
| *being: attributable to equity holders of the Company* | | *80.3* | *101.3* |
| *attributable to non-controlling interests ("NCI")* | | *1.7* | *1.8* |

The notes on pages 22 to 32 are an integral part of these condensed consolidated interim financial statements.

# Consolidated Statement of Financial Position

| EUR million | Notes | 30 June 2017 | 31 Dec. 2016 | 30 June 2016 |
|---|---|---|---|---|
| Goodwill | 7 | 1,072.1 | 1,091.2 | 1,001.8 |
| Intangible assets | | 884.1 | 876.8 | 466.4 |
| Property, plant & equipment | | 585.3 | 574.4 | 550.2 |
| Investment property | | 9.2 | 3.8 | 3.6 |
| Equity-accounted investees | 5 | 64.6 | 63.8 | 61.4 |
| Available-for-sale financial assets | | - | 0.5 | 1.0 |
| Employee benefits | | 11.7 | 0.5 | 31.0 |
| Deferred tax assets | | 75.9 | 86.3 | 45.3 |
| Other receivables | | 27.6 | 27.9 | 24.7 |
| **Non-current assets** | | **2,730.5** | **2,725.2** | **2,185.4** |
| Inventories | | 667.6 | 679.0 | 651.6 |
| Held-to-maturity investments | | - | - | 25.0 |
| Derivative hedging instruments | 12 | 0.4 | 1.0 | 5.0 |
| Derivatives held for trading | 12 | 0.9 | 1.2 | - |
| Other financial assets | | - | 5.0 | - |
| Current tax assets | | 5.4 | 7.5 | 7.2 |
| Trade and other receivables | | 471.7 | 309.0 | 407.9 |
| Cash & cash equivalents | | 79.1 | 98.2 | 205.8 |
| Assets classified as held for sale | | 5.5 | 5.5 | 6.2 |
| **Current assets** | | **1,230.6** | **1,106.4** | **1,308.7** |
| **TOTAL ASSETS** | | **3,961.1** | **3,831.6** | **3,494.1** |
| | | | | |
| Capital & reserves attributable to equity holders | | 1,711.5 | 1,683.0 | 1,779.4 |
| Non-controlling interests (“NCI”) | | 0.1 | 0.5 | 1.8 |
| **Equity** | | **1,711.6** | **1,683.5** | **1,781.2** |
| Employee benefits | | 35.3 | 53.7 | 38.4 |
| Provisions | | 65.6 | 50.5 | 34.9 |
| Loans & borrowings | | 747.9 | 760.6 | 580.4 |
| Put options granted to non-controlling interests | 11 | 96.6 | 90.0 | 89.3 |
| Other payables | | 3.0 | 3.0 | 20.3 |
| Deferred tax liabilities | | 155.5 | 145.1 | 27.8 |
| **Non-current liabilities** | | **1,103.9** | **1,102.9** | **791.1** |
| Provisions | | 39.0 | 36.2 | 6.1 |
| Loans & borrowings | | 340.4 | 358.3 | 193.3 |
| Derivative hedging instruments | 12 | 0.9 | 0.9 | 0.3 |
| Derivatives held for trading | 12 | 1.6 | - | 2.7 |
| Deferred consideration on acquisition of Moleskine SpA | 9 | - | 15.9 | - |
| Current tax liabilities | | 34.7 | 25.0 | 28.0 |
| Trade & other payables | | 729.0 | 608.9 | 691.4 |
| **Current liabilities** | | **1,145.6** | **1,045.2** | **921.8** |
| **TOTAL EQUITY AND LIABILITIES** | | **3,961.1** | **3,831.6** | **3,494.1** |

The notes on pages 22 to 32 are an integral part of these condensed consolidated interim financial statements.

# Consolidated Statement of Changes in Equity

| EUR million | Capital and reserves attributable to equity holders | | | | | | Total | Non- | Equity |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Treasury shares | Hedging reserve | Retained earnings | Cumu-lative translation differences | Group's share | controlling interests | |
| **At 1 January 2016** | **160.0** | **24.4** | **-31.0** | **3.9** | **1,619.0** | **-43.0** | **1,733.3** | **1.8** | **1,735.1** |
| Profit for the period | - | - | - | - | 108.8 | - | 108.8 | 2.2 | 111.0 |
| Other comprehensive income | - | - | - | 0.5 | -19.4 | 11.4 | -7.5 | -0.4 | -7.9 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **0.5** | **89.4** | **11.4** | **101.3** | **1.8** | **103.1** |
| Treasury shares | - | - | -6.6 | - | - | - | -6.6 | - | -6.6 |
| Dividends | - | - | - | - | -49.3 | - | -49.3 | -2.3 | -51.6 |
| Put options - movements of the period | - | - | - | - | - | - | - | 0.5 | 0.5 |
| Transfer within reserve | - | - | - | - | -1.6 | 1.6 | - | - | - |
| Other movements | - | - | - | - | 0.7 | - | 0.7 | - | 0.7 |
| **Total contribution and distribution** | **-** | **-** | **-6.6** | **-** | **-50.2** | **1.6** | **-55.2** | **-1.8** | **-57.0** |
| Acquisition of NCI without change in control | - | - | - | - | - | - | - | - | - |
| Acquisition of subsidiary with NCI | - | - | - | - | - | - | - | - | - |
| **Total change in ownership interests** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **At 30 June 2016** | **160.0** | **24.4** | **-37.6** | **4.4** | **1,658.2** | **-30.0** | **1,779.4** | **1.8** | **1,781.2** |
| | | | | | | | | | |
| **At 1 January 2017** | **160.0** | **24.4** | **-34.3** | **0.1** | **1,556.3** | **-23.5** | **1,683.0** | **0.5** | **1,683.5** |
| Profit for the period | - | - | - | - | 77.0 | - | 77.0 | 1.1 | 78.1 |
| Other comprehensive income | - | - | - | -0.7 | 22.5 | -18.5 | 3.3 | 0.6 | 3.9 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-0.7** | **99.5** | **-18.5** | **80.3** | **1.7** | **82.0** |
| Treasury shares | - | - | -0.5 | - | - | - | -0.5 | - | -0.5 |
| Dividends (see note 8) | - | - | - | - | -52.1 | - | -52.1 | -2.9 | -55.0 |
| Put options - movements of the period | - | - | - | - | - | - | - | 0,8 | 0,8 |
| Other movements | - | - | - | - | 0.8 | - | 0.8 | - | 0.8 |
| **Total contribution and distribution** | **-** | **-** | **-0.5** | **-** | **-51.3** | **-** | **-51.8** | **-2.1** | **-53.9** |
| Acquisition of NCI without change in control | - | - | - | - | - | - | - | - | - |
| Acquisition of subsidiary with NCI | - | - | - | - | - | - | - | - | - |
| **Total change in ownership interests** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **At 30 June 2017** | **160.0** | **24.4** | **-34.8** | **-0.6** | **1,604.5** | **-42.0** | **1,711.5** | **0.1** | **1,711.6** |

The notes on pages 22 to 32 are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Cash Flows

6-month period ended 30 June

| EUR million | Notes | 2017 | 2016 |
|---|---|---|---|
| **Cash flows from operating activities - Continuing** | | | |
| Result for the period | | 78.1 | 135.9 |
| Income tax expense | | 39.1 | 19.0 |
| Share of result of equity-accounted investees, net of income tax | 5 | -1.7 | -1.4 |
| Net finance costs | | 22.8 | 17.4 |
| **Operating result from continuing operations** | | **138.3** | **170.9** |
| Depreciation and amortisation | | 74.2 | 68.9 |
| Impairment losses on goodwill and other non-current assets | 7 | 20.0 | - |
| Other non cash items | | 26.3 | -4.4 |
| Employee benefits | | -3.2 | -3.5 |
| Other cash items | | -1.5 | - |
| Change in net working capital | | -42.3 | 10.0 |
| **Cash generated from operations** | | **211,8** | **241.9** |
| Income tax paid | | -19.7 | -8.7 |
| **Net cash from operating activities** | | **192.1** | **233.2** |
| **Cash flows from investing activities - Continuing** | | | |
| Purchase of property, plant and equipment and intangible assets | | -76.4 | -61.9 |
| Sale of property, plant and equipment and intangible assets | | 2.4 | 11.7 |
| **Net capital expenditure** | | **-74.0** | **-50.2** |
| Acquisition of subsidiaries (net of cash acquired) | 9 | -42.0 | -11.4 |
| Sale of equity instruments (net of cash disposed of) | | 0.4 | - |
| Contribution of cash to joint ventures | | -0.2 | -0.4 |
| Proceeds from the sale of investments in held-to-maturity financial assets | | - | 34.8 |
| Interest received | | 0.9 | 0.6 |
| Dividends received from equity-accounted investees | | - | 0.3 |
| Net investment in other financial assets | | 5.2 | 0.4 |
| **Net cash from investing activities** | | **-109.7** | **-25.9** |
| **Cash flows from financing activities - Continuing** | | | |
| Net disposal/(acquisition) of treasury shares | | -0.5 | -6.6 |
| Repayment of finance lease liabilities | | -19.8 | -16.1 |
| Net change in other loans and borrowings | | 1.2 | -8.4 |
| Interest paid | | -22.3 | -18.3 |
| Dividends paid by Company | 8 | -52.1 | -49.3 |
| Dividends received from/(paid by) subsidiaries | | -2.9 | -2.3 |
| **Net cash from financing activities** | | **-96.4** | **-101.0** |
| **Cash flows from continuing operations** | | **-14.0** | **106.3** |
| **Cash flows from discontinued operations** | | **-** | **-** |
| **TOTAL CASH FLOW FOR THE PERIOD** | | **-14.0** | **106.3** |
| **Reconciliation with statement of financial position** | | | |
| Cash at beginning of period | | 98.2 | 110.7 |
| **Cash and cash equivalents at beginning of period** | | **98.2** | **110.7** |
| Total cash flow for the period | | -14.0 | 106.3 |
| Translation differences | | -5.1 | -11.2 |
| **Cash and cash equivalents at end of period** | | **79.1** | **205.8** |
| *Included within "Cash and cash equivalents"* | | *79.1* | *205.8* |

The notes on pages 22 to 32 are an integral part of these condensed consolidated interim financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

## NOTE 1: GENERAL INFORMATION

s.a. D'Ieteren n.v. (the Company) is a public company incorporated and domiciled in Belgium, whose controlling shareholders are listed in note 28 of the 2016 Consolidated Financial Statements. The address of the Company's registered office is:
Rue du Mail 50
B-1050 Brussels

In existence since 1805, and across family generations, the Company seeks growth and value creation by pursuing a strategy on the long term for its businesses and actively encouraging and supporting them to develop their position in their industry or in their geographies. The Company, its subsidiaries and its interests in associates and joint ventures (together the Group) form an international group, currently active in three activities articulated around strong brands:

- D'Ieteren Auto (automobile distribution) distributes Volkswagen, Audi, SEAT, Škoda, Bentley, Lamborghini, Bugatti, Porsche and Yamaha vehicles in Belgium. It is the country's number one car distributor, with a market share of around 22% and 1.2 million vehicles on the road at the end of 2016;
- Belron (Vehicle glass repair and replacement – "VGRR") makes a difference by solving people's problems with real care. It is the worldwide leader in vehicle glass repair and replacement, trading under more than 10 major brands including Carglass®, Safelite® AutoGlass and Autoglass®. In addition, it manages vehicle glass and other insurance claims on behalf of insurance customers. Belron is also expanding its services to focus on solving problems for people who need assistance with repairs to their vehicles;
- Moleskine is a premium and aspirational lifestyle brand which develops and sells iconic branded notebooks and writing, travel and reading accessories through a multichannel distribution strategy across 102 countries.

The Company is listed on Euronext Brussels.

These condensed consolidated interim financial statements have been authorized for issue by the Board of Directors on 31 August 2017.

**D'Ieteren is exploring the potential to bring a minority partner into Belron**

On 2 May 2017, as part of the regular review of its strategic options, the Company announced that it is exploring the potential to bring a minority partner in Belron, the world leader in vehicle glass replacement and repair. D'Ieteren's aim is to remain the majority shareholder while strengthening its investment capacity. The non-binding offers were received by the end of July and the process continues with a more limited number of interested parties which will have to submit binding offers by end of October. The partial sale of Belron shares to a minority partner would allow D'Ieteren to broaden its activities and pursue its long-term strategy which aims to invest in other activities with high growth potential. Belron's management is fully aligned with this potential transaction which is consistent with Belron's strategic vision. D'Ieteren will continue to provide full support to Belron's development, both in the vehicle glass repair and replacement market and in the ongoing search for new services.

**Alternative Performance Measurement – Non-GAAP measurement**

In order to better reflect its underlying performance and assist investors in gaining a better understanding of its financial performance, the Group uses Alternative Performance Measures ("APMs"). 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.

Taking into account ESMA guidelines on APMs published in October 2015, the Board of Directors has decided that, as from 31 December 2016, the APMs are presented in the consolidated management reports and press releases.

## NOTE 2: ACCOUNTING POLICIES

### Note 2.1: Basis of Preparation

These condensed consolidated interim financial statements are for the six months ended 30 June 2017. They are presented in euro, which is the Group's functional currency. All amounts have been rounded to the nearest million, unless otherwise indicated. They have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union ("EU"). They do not include all the information required for a complete set of IFRS financial statements. They have been prepared in a condensed format, with selected explanatory notes to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements. Therefore, they should be read in conjunction with the 2016 annual consolidated financial statements.

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2016 annual consolidated financial statements.

### Note 2.2: Significant Accounting Policies

The accounting policies applied are consistent with those summarized in note 2 of the 2016 annual consolidated financial statements, except for the adoption of new standards and amendments to standards effective as of 1 January 2017.

There are no new standards and amendments to standards that are mandatory for the first time for the Group's accounting period beginning on 1 January 2017 which have a significant impact on the Group's consolidated financial statements.

The amendments to IAS 12 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses" and to IAS 7 "Cash Flow Statements – Disclosure Initiative" and the annual improvements to IFRS 2014-2016 cycle, effective 1 January 2017, effective 1 January 2017, have not been adopted since they are not yet endorsed by the EU. If adopted, they would not have had a significant impact on the Group's consolidated financial statements.

The standards, amendments and interpretations to existing standards issued by the IASB but not yet effective in 2017 have not been early adopted by the Group. They are listed below.

- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" (effective 1 January 2018 – subject to endorsement by the EU);
- Amendments to IAS 40 "Investment Property" (effective 1 January 2018 – subject to endorsement by the EU);
- IFRIC 22 "Foreign currency transactions and advance consideration" (effective 1 January 2018 – subject to endorsement by the EU);
- IFRIC 23 "Uncertainty over income tax treatments" (effective 1 January 2019 - subject to endorsement by the EU);
- IFRS 9 "Financial Instruments: Classification and Measurement" (effective 1 January 2018 – endorsed by the EU). This new standard will replace the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement" and addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The actual impact of adopting IFRS 9 on the Group's consolidated financial statements in 2018 is not known and cannot be reasonably estimated because it will be dependent on the financial instruments that the Group holds and on economic conditions at that date. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments and these changes are not yet fully complete. Based on current positions at 30 June 2017, the Group does not expect the new guidance to have a significant impact;
- IFRS 15 "Revenue from Contracts with Customers" (effective 1 January 2018 – endorsed by the EU except the amendments issued in April 2016). This new standard will replace existing revenue recognition guidance (notably IAS 18 "Revenue") and establish a comprehensive framework for determining whether, how much and when revenue is recognised;
- IFRS 16 "Leases" (effective 1 January 2019 – subject to endorsement by the EU). This new standard will require the Group when operating as a lessee to bring most leases on-balance sheet. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard.

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 and IFRS 16 on its consolidated financial statements.

## NOTE 2: ACCOUNTING POLICIES (continued)

**IFRS 15 "Revenue from Contracts with Customers"**

In the Automobile Distribution segment, the Group focused the assessment on its major revenue streams, namely the sale of new vehicles to independent dealers and to final customers, the sale of used vehicles to final customers, the sale of spare parts and accessories, and the rendering of after-sale services.

The assessment that has been performed includes the following steps: the identification of the contract, the identification of performance obligations, the determination of the transaction price, the allocation of the transaction price and the revenue recognition. Even though customers might sometime enter into more than one contract at the same time, the criteria defined in IFRS 15 for contract combination would not be met. No significant impact has been identified as a result of the impact assessment exercise.

A particular attention was paid to variable bonuses when determining the transaction price. Variable bonuses are sometimes granted to independent dealers upon achievement of qualitative and quantitative targets. Such targets are established annually and are typically assessed and paid on a quarterly basis. However, the Group identified some exceptions whereby bonuses are assessed and paid annually. Under the new standard, such exceptions represent variable considerations. The estimation of such variable considerations at half year appears reasonable and would not lead to significant reversal in cumulative revenue.

Under the new standard, the timing of revenue recognition would remain largely unchanged as control of the goods is transferred to the customer upon delivery (for sale of vehicles and spare parts) or as services are rendered (after-sale services).

The Vehicle Glass segment has performed a high level review of the impact of the new standard using the five-step model per IFRS 15. The initial assessment indicates that there will be no significant changes to timing of when revenue is recognised.

Based on the review it is expected that revenue related to VGRR (the primary income stream) will still be recognised based on when the glass is replaced or repaired.  Secondary income streams are services that are ancillary and adjacent to VGRR include claims management and accident repair. Whilst these are under further review, the initial assessment indicates there will be no significant impact of the timing of revenue recognition. Licenses and franchising agreements may be distinct from the other goods and services included in a contract and therefore represent separate performance obligations. However based on the preliminary assessment this is not likely to be significant to the accounts.

In the Moleskine segment, the Group performed a high-level review of existing contracts with customers. The major findings are listed below:

- Right of return: under the new standard, rights of return represent variable considerations. The new guidance requires that the impact of returns is estimated using a probability-weighted approach or most likely outcome;
- Free On Board (FOB) Shiping: the Group will need to assess whether the shipping terms create additional performance obligations when control of the goods transfers on shipment. There might be a second performance obligation for shipping and a change in the timing of revenue recognition;
- Bill-and-hold arrangements: the Group will need to consider whether control of the goods tranfers to the customers prior to delivery. Under such arrangements, the existence of a separate performance obligation might exist if the entity provides custodial services.
- Licenses and franchising agreements: licenses might be distinct from the other goods and services included in a contract and therefore represent separate performance obligations.

Based on the preliminary assessment performed, the adoption of the new standard is not likely to significantly alter the timing of revenue recognition and to have a significant impact on the financial statements.

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach.

**IFRS 16 "Leases"**

Based on the first current analysis available, it is anticipated that the impact of IFRS 16 will be material to the Group when adopted, particularly in the Vehicle Glass and Moleskine segments. The most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense.

In the Vehicle Glass segment, the standard will primarily affect the accounting for the operating leases (mainly buildings rentals). As at 30 June 2017, the Group has non-cancellable operating lease commitments of ca. EUR 560 million. The amount of additional assets and liabilities that would be recognized and the precise impact of these commitments on the group's profit and classification of cash flows is still being assessed.

In the Moleskine segment, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of retail stores. As at 30 June 2017, non-cancellable operating lease commitments amounts to ca. EUR 40 million. The magnitude of the balance sheet impacts and of the nature of expenses related to those leases is still under investigation.

No significant impact is expected in the Automobile Distribution segment.

At this stage, the Group does not intend to adopt the standard before its effective date (1 January 2019).

## NOTE 3: SEASONALITY

**Automobile Distribution**

The Automobile Distribution segment experiences a higher demand for new vehicles (sales of new vehicles represent about 80% of total external revenue of the segment) in the first half of the year. This phenomenon is further increased every two years by the impact of the Brussels' Car and Motorcycle Show (the last one took place in January 2016).

**Vehicle Glass**

The Vehicle Glass segment experiences some natural increases in business in the early part of the year corresponding with cold weather in Europe and in North America, and in mid-summer prior to the start of the continental European holiday season.

**Moleskine**

The Moleskine segment experiences some natural increases in business during the course of the year. The sales are highly concentrated over the last quarter, as the Christmas period approaches.

## NOTE 4: SEGMENT INFORMATION

The Group's reportable operating segments are Automobile Distribution, Vehicle Glass and Moleskine.

The Automobile Distribution segment includes the automobile distribution activities (D'Ieteren Auto - see note 1) as well as corporate activities. The Vehicle Glass segment comprises Belron s.a. and its subsidiaries (see note 1). The Moleskine segment comprises Moleskine S.p.a. and its subsidiaries (see note 1).

These operating segments are consistent with the Group's organisational and internal reporting structure.

**Segment Statement of Profit or Loss - Operating Segments** (6-month period ended 30 June)

| **EUR million** | **Notes** | **2017** | | | | | **2016** | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **Automobile Distribution** | **Vehicle Glass** | **Moleskine** | **Eliminations** | **Group** | **Automobile Distribution** | **Vehicle Glass** | **Eliminations** | **Group** |
| External revenue | | 1,828.1 | 1,806.8 | 64.6 | - | 3,699.5 | 1,713.8 | 1,705.2 | - | 3,419.0 |
| Inter-segment revenue | | 4.3 | - | - | -4.3 | - | 4.0 | - | -4.0 | - |
| **Segment revenue** | | **1,832.4** | **1,806.8** | **64.6** | **-4.3** | **3,699.5** | **1,717.8** | **1,705.2** | **-4.0** | **3,419.0** |
| **Operating result (being segment result)** | | **59.6** | **72.6** | **6.1** | **-** | **138.3** | **65.7** | **105.2** | **-** | **170.9** |
| Net finance costs | | 0.4 | -18.1 | -5.1 | - | -22.8 | -1.0 | -16.4 | - | -17.4 |
| Finance income | | 0.3 | 0.2 | 0.1 | - | 0.6 | 0.4 | 0.3 | - | 0.7 |
| Finance costs | | -2.6 | -17.8 | -3.0 | - | -23.4 | -1.7 | -16.4 | - | -18.1 |
| Inter-segment financing interest | | 2.7 | -0.5 | -2.2 | - | - | 0.3 | -0.3 | - | - |
| Share of result of equity-accounted investees, net of income tax | 5 | 1.7 | - | - | - | 1.7 | 2.2 | -0.8 | - | 1.4 |
| **Result before tax** | | **61.7** | **54.5** | **1.0** | **-** | **117.2** | **66.9** | **88.0** | **-** | **154.9** |
| Income tax expense | 6 | -6.1 | -33.6 | 0.6 | - | -39.1 | 1.6 | -20.6 | - | -19.0 |
| **Result from continuing operations** | | **55.6** | **20.9** | **1.6** | **-** | **78.1** | **68.5** | **67.4** | **-** | **135.9** |
| Discontinued operations | | - | - | - | - | - | - | -24.9 | - | -24.9 |
| **RESULT FOR THE PERIOD** | | **55.6** | **20.9** | **1.6** | **-** | **78.1** | **68.5** | **42.5** | **-** | **111.0** |

| **Attributable to:** | **Automobile Distribution** | **Vehicle Glass** | **Moleskine** | **Eliminations** | **Group** | **Automobile Distribution** | **Vehicle Glass** | **Eliminations** | **Group** |
|---|---|---|---|---|---|---|---|---|---|
| **Equity holders of the Company** | **55.6** | **19.8** | **1.6** | **-** | **77.0** | **68.5** | **40.3** | **-** | **108.8** |
| Non-controlling interests | - | 1.1 | - | - | 1.1 | - | 2.2 | - | 2.2 |
| **RESULT FOR THE PERIOD** | **55.6** | **20.9** | **1.6** | **-** | **78.1** | **68.5** | **42.5** | **-** | **111.0** |

## NOTE 4: SEGMENT INFORMATION (continued)

**Segment Statement of Financial Position - Operating Segments**

| EUR million | Notes | 30 June 2017 | | | | 30 June 2016 | | |
|---|---|---|---|---|---|---|---|---|
| | | Automobile Distribution | Vehicle Glass | Moleskine | Group | Autombile Distribution | Vehicle Glass | Group |
| Goodwill | 7 | 12.3 | 887.9 | 171.9 | 1,072.1 | 12.3 | 989.5 | 1,001.8 |
| Intangible assets | | 9.9 | 464.3 | 409.9 | 884.1 | 9.9 | 456.5 | 466.4 |
| Property, plant & equipment | | 195.5 | 380.2 | 9.6 | 585.3 | 190.3 | 359.9 | 550.2 |
| Investment property | | 9.2 | - | - | 9.2 | 3.6 | - | 3.6 |
| Equity-accounted investees | 5 | 64.6 | - | - | 64.6 | 61.4 | - | 61.4 |
| Available-for-sale financial assets | | - | - | - | - | 0.5 | 0.5 | 1.0 |
| Employee benefits | | - | 11.7 | - | 11.7 | - | 31.0 | 31.0 |
| Deferred tax assets | | 27.3 | 36.8 | 11.8 | 75.9 | 2.2 | 43.1 | 45.3 |
| Other receivables | | 23.2 | 2.0 | 2.4 | 27.6 | 22.6 | 2.1 | 24.7 |
| **Non-current assets** | | **342.0** | **1,782.9** | **605.6** | **2,730.5** | **302.8** | **1,882.6** | **2,185.4** |
| Inventories | | 336.5 | 298.5 | 32.6 | 667.6 | 361.2 | 290.4 | 651.6 |
| Held-to-maturity investments | | - | - | - | - | 25.0 | - | 25.0 |
| Derivative hedging instruments | 12 | - | 0.4 | - | 0.4 | - | 5.0 | 5.0 |
| Derivatives held for trading | 12 | - | 0.9 | - | 0.9 | - | - | - |
| Current tax assets | | - | 4.3 | 1.1 | 5.4 | 0.9 | 6.3 | 7.2 |
| Trade and other receivables | | 81.7 | 356.5 | 33.5 | 471.7 | 82.0 | 325.9 | 407.9 |
| Cash & cash equivalents | | 5.3 | 35.9 | 37.9 | 79.1 | 171.8 | 34.0 | 205.8 |
| Assets classified as held for sale | | 5.5 | - | - | 5.5 | 6.2 | - | 6.2 |
| **Current assets** | | **429.0** | **696.5** | **105.1** | **1,230.6** | **647.1** | **661.6** | **1,308.7** |
| **TOTAL ASSETS** | | **771.0** | **2,479.4** | **710.7** | **3,961.1** | **949.9** | **2,544.2** | **3,494.1** |
| Capital & reserves attributable to equity holders | | 1,711.5 | - | - | 1,711.5 | 1,779.4 | - | 1,779.4 |
| Non-controlling interests | | - | 0.1 | - | 0.1 | - | 1.8 | 1.8 |
| **Equity** | | **1,711.5** | **0.1** | **-** | **1,711.6** | **1,779.4** | **1.8** | **1,781.2** |
| Employee benefits | | 24.6 | 8.8 | 1.9 | 35.3 | 7.5 | 30.9 | 38.4 |
| Provisions | | 19.1 | 46.4 | 0.1 | 65.6 | 21.8 | 13.1 | 34.9 |
| Loans & borrowings | | 2.2 | 607.4 | 138.3 | 747.9 | 5.3 | 575.1 | 580.4 |
| Inter-segment loan | | -149.7 | - | 149.7 | - | - | - | - |
| Put options granted to non-controlling interests | 11 | 96.6 | - | - | 96.6 | 89.3 | - | 89,3 |
| Other payables | | - | 1.7 | 1.3 | 3.0 | - | 20.3 | 20.3 |
| Deferred tax liabilities | | 26.7 | 16.9 | 111.9 | 155.5 | 10.4 | 17.4 | 27.8 |
| **Non-current liabilities** | | **19.5** | **681.2** | **403.2** | **1,103.9** | **134.3** | **656.8** | **791.1** |
| Provisions | | - | 37.4 | 1.6 | 39.0 | - | 6.1 | 6.1 |
| Loans & borrowings | | 187.7 | 101.4 | 51.3 | 340.4 | 9.9 | 183.4 | 193.3 |
| Inter-segment loan | | -180.5 | 180.5 | - | - | -75.0 | 75.0 | - |
| Derivative hedging instruments | 12 | - | 0.9 | - | 0.9 | - | 0.3 | 0.3 |
| Derivatives held for trading | 12 | - | 1.6 | - | 1.6 | - | 2.7 | 2.7 |
| Current tax liabilities | | 3.5 | 28.6 | 2.6 | 34.7 | 3.4 | 24.6 | 28.0 |
| Trade & other payables | | 184.2 | 513.0 | 31.8 | 729.0 | 169.6 | 521.8 | 691.4 |
| **Current liabilities** | | **194.9** | **863.4** | **87.3** | **1,145.6** | **107.9** | **813.9** | **921.8** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,925.9** | **1,544.7** | **490.5** | **3,961.1** | **2,021.6** | **1,472.5** | **3,494.1** |

For segment statement of financial position as per 31 December 2016, see note 3.3 of the 2016 annual consolidated financial statements.

## NOTE 5: EQUITY-ACCOUNTED INVESTEES

In 2017 and 2016, four group entities are accounted for using the equity method :

| EUR million | 30 June 2017 | | | | 31 December 2016 | | |
|---|---|---|---|---|---|---|---|
| | Automobile Distribution | Vehicle Glass | Moleskine | Group | Autombile Distribution | Vehicle Glass | Group |
| Interests in joint ventures | 63.4 | - | - | 63.4 | 62.7 | - | 62.7 |
| Interests in associate | 1.2 | - | - | 1.2 | 1.1 | - | 1.1 |
| **Total of equity-accounted investees** | **64.6** | **-** | **-** | **64.6** | **63.8** | **-** | **63.8** |

| EUR million | 30 June 2017 | | | | 30 June 2016 | | |
|---|---|---|---|---|---|---|---|
| | Automobile Distribution | Vehicle Glass | Moleskine | Group | Autombile Distribution | Vehicle Glass | Group |
| Share of profit in joint ventures | 1.6 | - | - | 1.6 | 2.2 | - | 2.2 |
| Share of profit in associate | 0.1 | - | - | 0.1 | - | -0.8 | -0.8 |
| **Total of share of result after tax of equity-accounted investees** | **1.7** | **-** | **-** | **1.7** | **2.2** | **-0.8** | **1.4** |

In 2017 and 2016, the largest equity-accounted investees is the joint venture Volkswagen D'Ieteren Finance (VDFin), owned 50% minus one share by the Group and 50% plus one share by Volkswagen Financial Services (a subsidiary of the Volkswagen group), active in a full range of financial services related to the sale of the Volkswagen group vehicles on the Belgian market.

The following table summarises the financial information of VDFin as included in its own financial statements, adjusted for differences in accounting policies, and also reconciles this summarised financial information to the carrying amount of the Group's interest in VDFin.

| EUR million | 30 June 2017 | 31 December 2016 |
|---|---|---|
| Non-current assets | 1,122.2 | 982.0 |
| Current assets (excluding cash and cash equivalents) | 664.0 | 602.8 |
| Cash and cash equivalents | 56.8 | 52.9 |
| Non-current liabilities (excluding financial liabilities) | -9.0 | -6.2 |
| Non-current financial liabilities | -581.0 | -643.0 |
| Current liabilities (excluding financial liabilities) | -131.0 | -99.7 |
| Current financial liabilities | -993.5 | -762.9 |
| Net assets (100%) | 128.5 | 125.9 |
| **Group's share of net assets (49,99%) and carrying amount of interest in joint venture** | **64.2** | **62.9** |

| EUR million | 30 June 2017 | 30 June 2016 |
|---|---|---|
| Revenue | 169.1 | 159.5 |
| Profit before tax | 6.8 | 7.8 |
| Result for the period (100%) | 4.3 | 5.2 |
| Other comprehensive income (100%) | -1.8 | - |
| Profit (or loss) and total comprehensive income (100%) | 2.5 | 5.2 |
| **Group's share of profit (or loss) and comprehensive income (49,99%)** | **1.2** | **2.6** |

## NOTE 6: INCOME TAX EXPENSE

The Group's consolidated effective tax rate for the six months ended 30 June 2017 is 33% (six months ended 30 June 2016: 12%). The increase in effective tax rate is primarily the result of the impairment charge (EUR 20 million) for which no tax relief is available and the derecognition of certain deferred tax assets on unused tax losses, due to changes in the Group's tax environment.

## NOTE 7: GOODWILL AND NON-CURRENT ASSETS

IAS 36 "Impairment of Assets" requires an impairment test to be performed annually and at each reporting date when there is an indication of a possible impairment (a triggering event).

With revised downward views on the future financial performance of the business in Italy, due to more challenging market conditions particularly in the latter part of the projection period, the Vehicle Glass segment concluded that a triggering event existed at half-year and consequently performed an impairment test on the Italian cash-generating unit in accordance with the requirements of IAS 36 "Impairment of Assets". This impairment review, based on the value in use calculation, was carried out to ensure that the carrying value of this cash-generating unit is stated at no more than its recoverable amount, being the higher of fair value less costs to sell and value in use.

This review led to the conclusion that the carrying value of Italy is not anymore supported by the latest long term financial projections. An impairment charge of EUR 16 million (in other operating expenses) has been recognised and fully allocated to goodwill.

The Vehicle Glass segment did not identify any indicators of impairment in other cash-generating units (i.e. countries) as a result of market information, country performances or in the work performed during the preparation in the first half of the year of the latest long term financial plan. Consequently, as allowed under IAS 36 "Impairment of Assets", the Vehicle Glass segment did not perform a formal impairment testing at the half year elsewhere. A formal calculation will be completed in the second half of the year for all cash-generating units.

In determining the value in use of the Italian cash-generating unit ("CGU"), the Vehicle Glass segment calculated the present value of the estimated future cash flows expected to arise from the continuing use of the assets using a specific pre-tax discount rate reflecting the risk profile of the identified cash-generating unit. This pre-tax discount rate is based upon the weighted average cost of capital of the cash-generating unit with appropriate adjustment for the relevant risks associated with the business and with the underlying country ("country risk premium"). Pre-tax discount rate of 10.3% was used in determining the recoverable amount of the Italian CGU. Estimated future cash flows are based on projected long-term plan approved by management, with extrapolation thereafter (terminal value) based on a long-term average growth rate. This growth rate is set at 2%. The projected long-term plan covers a five-year period.

The Board of Directors of the Company did not review the carrying amount of its investments in Belron and in Moleskine because there were no impairment indicators at its level at 30 June 2017.

Key assumptions of the financial projections in supporting the value of goodwill and intangible assets with indefinite useful lives include revenue growth rates, operating margins, long-term growth rates and segment share. Future cash flows are estimates that may be revised in future periods as underlying assumptions might change. Should the assumptions vary adversely in the future, the value in use of goodwill and intangible assets with indefinite useful lives may fall below their carrying amounts. Based on current valuations, headroom appears to be sufficient for most cash-generating units to comfortably absorb a normal variation in the underlying assumptions. The exceptions are highlighted below.

A reduction in the long term growth rate of 1% would result in a further impairment charge of EUR 2 million (Italy). A decrease in margins of 0.5% would result in a further impairment charge of EUR 6 million (Italy). An increase in the discount rate of 1% would result in a further impairment charge of EUR 4 million (Italy).

The EUR 19.1 million decrease in goodwill during the period mainly reflects the additions arising from business combinations that occurred during the period (EUR 17 million – see note 9) and from put options (EUR 6 million – see note 11), the impairment charge recognised on the Italian CGU (EUR -16 million) and translation differences (EUR -24 million).

In the Vehicle Glass segment, the other operating expenses also comprised an impairment charge of EUR 4.0 million on capitalised IT software costs in the United States following a decision to terminate a project to develop a new supply chain system.

## NOTE 8: EQUITY AND DIVIDENDS

The Ordinary General Meeting of 1 June 2017 decided to distribute a gross dividend of EUR 0.95 per share for the year 2016. Payment of the dividend started on 8 June 2017. The aggregate dividend amounts to EUR 52.1 million.

Treasury shares (1,072,789 at the end of the period; 1,101,692 at 31 December 2016) are held to cover the stock option plans set up by the Company since 1999 (see note 13 of these condensed consolidated interim financial statements and note 35 of the 2016 annual consolidated financial statements).

In the Consolidated Statement of Comprehensive Income, the movement of EUR 30.1 million related to defined benefit assets/liabilities is primarily due to the UK pension scheme (Vehicle Glass segment) due to the strong positive returns on investments during the period, as well as an experience gain on the liabilities.

## NOTE 9: ACQUISITION OF SUBSIDIARIES

During the period, the Group made the following acquisitions (Vehicle Glass segment only):
- On 2 January 2017, Belron acquired 100% of the shares of Camoesas II - Serviços, Peças e Ferramentas, Lda, a VGRR business in Portugal.
- On 1 March 2017, Belron acquired 100% of the shares of GlassTruzz, Lda, a VGRR business in Portugal.
- On 3 March 2017, Belron acquired the assets of Lamina Zero s.l, a fitting business of two branches in Spain.
- On 3 March 2017, Belron acquired the assets of Serviparabrisas I and Serviparabrisas II, a fitting business of four branches in Spain.
- On 3 March 2017, Belron acquired the assets of Lunauto SG s.l, a fitting business in Spain.
- On 3 March 2017, Belron acquired the assets of Sutilunas s.l, a fitting business of three banches in Spain.
- On 31 March 2017, Belron acquired 100% of the shares of CARe Carrosserie NV, an ADRR (Automotive Damage Repair & Replacement) business in Belgium.
- On 1 April 2017, Belron acquired 100% of the shares of Nittedal Bilglass AS, a fitting business in Norway.
- On 28 April 2017, Belron acquired 100% of the shares of Auto Glass Pros, a fitting business in the United States.

The additional revenue arising subsequent to these acquisitions amounts approximately to EUR 2.3 million (approximately EUR 3.5 million if they had occurred on the first day of the period). The results arising subsequent to these acquisitions (even if they had occurred on the first day of the period) are not considered material to the Group and accordingly are not disclosed separately.

The details of the net assets acquired, goodwill and consideration of the acquisitions are set out below:

| **EUR million** | **Total provisional fair value (1)** |
|---|---|
| Intangibles assets | 12.7 |
| Property, plant & equipment | 4.2 |
| Inventories | 3.9 |
| Trade and other receivables | 10.3 |
| Cash and cash equivalents | 1.0 |
| Deferred tax liabilities | -3.6 |
| Current loans and borrowings | 0.1 |
| Trade and other payables | -19.4 |
| **Net assets acquired** | **9.2** |
| Non-controlling interests | |
| Goodwill | 17.0 |
| **Total consideration** | **26.2** |
| *Total consideration transfered* | |
| Cash payment | 25.5 |
| Non-interest bearing deferred consideration | 0.7 |
| | **26.2** |

(1) The fair values have been measured on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition, then the accounting for the acquisition will be revised.

The goodwill recognised above reflects the expected synergies and other benefits resulting from the combination of the acquired activities with those of the Group. As permitted by IFRS 3 “Business Combinations” (maximum period of 12 months to finalize the acquisition accounting), the above provisional allocation will be reviewed and if necessary reallocated to brands and Intangible assets.

The fair value of the trade and other receivables amounts to EUR 10.3 million and it is expected that the full amount can be collected.

## NOTE 9: ACQUISITION OF SUBSIDIARIES (continued)

During the period, the Company finalized the purchase price allocation related to the acquisition of Moleskine (October 2016 - see note 11 of the 2016 consolidated financial statements). No change in the initial goodwill allocation (EUR 149.6 million as of 31 December 2016) was performed during the first semester 2017.

The Company confirmed the initial valuation of the Moleskine trademark performed at year-end 2016 (EUR 403 million, of which EUR 54 million was yet recognized in the accounts of Moleskine at the date of acquisition). The analysis related to the partial allocation of the goodwill to inventory to reflect the fair value as of acquisition date led to the conclusion that the fair value adjustment on inventory is not significant and has not been accounted for.

The deferred consideration of EUR 15.9 million recognized as at 31 December 2016 reflected the non-controlling interests to be acquired (see note 11 of the 2016 consolidated financial statements) and was repaid in January 2017 (squeeze out procedure).

## NOTE 10: EARNINGS PER SHARE

Earnings per share ("EPS") and earnings per share for continuing operations ("Continuing EPS") are shown above on the face of the consolidated statement of profit or loss. Basic and diluted EPS are based on the result for the period attributable to equity holders of the Company (based on the result from continuing operations attributable to equity holders of the Company for the continuing EPS), 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).

The Group has granted options to employees over ordinary shares of the Company. Such shares constitute the only category of potentially dilutive ordinary shares.

The options over ordinary shares of the Company increased the weighted average number of shares of the Company in the first half of 2016 and 2017 as some option exercise prices were below the average market share price. These options are dilutive for the purpose of calculating diluted earnings per share.

The weighted average number of ordinary shares outstanding during the period is 54,205,477 (54,167,723 in the prior period) and the weighted average number of ordinary shares taken into account for diluted EPS is 54,461,694 (54,296,644 in the prior period).

## NOTE 11: RELATIONS WITH NON-CONTROLLING INTERESTS

**Put options granted to non-controlling interests**

The Group is committed to acquiring the non-controlling interests owned by third parties in Belron (5.15%), should these third parties wish to exercise their put options. The exercise price of such options granted to non-controlling interests is reflected as a financial liability in the consolidated statement of financial position.

At 30 June 2017, the exercise price of all options granted to non-controlling interests (put options with related call options, exercisable until 2024) amounts to EUR 96.6 million (EUR 90.0 million as at 31 December 2016).

For put options granted to non-controlling interests (4.15%) prior to 1 January 2010, the difference between the exercise price of the options and the carrying value of the non-controlling interests (EUR 24.0 million as at 30 June 2017) is presented as additional goodwill (EUR 53.8 million as at 30 June 2017; EUR 47.7 million at 31 December 2016).

For put options granted to non-controlling interests (1.0%) as from 1 January 2010, the re-measurement at period end of the financial liability resulting from these options amounts to EUR -1.3 million and is recognised in the consolidated statement of profit or loss in finance costs.

The exercise price of the put options takes into account estimates of the future profitability of Belron. Should the underlying estimates change, the value of the put options recognised in the statement of financial position would be impacted, with impacts on the related goodwill and net finance costs. The carrying value of put options granted to non-controlling interests approximates their fair value.

## NOTE 12: FINANCIAL INSTRUMENTS

**Financial instruments measured at fair value in the consolidated statement of financial position**

All Group's financial assets and liabilities measured at fair value in the consolidated statement of financial position are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted market prices in an active market (that are unadjusted) for identical assets and liabilities;
- Level 2: valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable);
- Level 3: valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

At the end of June 2017 and of June 2016, all Group's financial assets and liabilities measured at fair value in the consolidated statement of financial position (derivative hedging instruments and derivatives held for trading) are classified in level 2.

**Fair value disclosed**

For all Group's financial assets and liabilities not measured at fair value in the consolidated statement of financial position, their fair value approximates their carrying amount, except for the non-current loans and borrowings of EUR 747.9 million (EUR 580.4 million in the prior period). The fair value amounts to EUR 787.0 million (EUR 652.0 million in the prior period) and is classified in level 2 of the fair value hierarchy as described above.

**Valuation techniques**

The fair value of the bonds is determined based on their market prices. The fair value of the other loans and borrowings is based on either tradable market values, or should such market values not be readily available is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The fair values of derivative hedging instruments and derivatives held for trading are determined using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions at the balance sheet date. The fair value of cross currency interest rate swaps and interest rate swaps is calculated as the present value of future estimated cash flows. The fair value of interest rate caps and collars is valued using option valuation techniques. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. The fair value of fuel hedge instruments (combination of options, collars and swaps used in the Vehicle Glass segment to hedge the price of fuel purchases) is determined using market valuations prepared by the respective banks that executed the initial transactions at the statement of financial position date based on the present value of the monthly futures forward curve for gasoline given the volume hedged and the contract period. The fair values of forward rate agreements are calculated as the present value of future estimated cash flows.

## NOTE 13: SHARE-BASED PAYMENTS

There is in the Group an equity-settled share-based payment scheme. Since 1999, share option schemes have been granted to officers and managers of the Automobile Distribution segment, in the framework of the Belgian law of 26 March 1999. The underlying share is the ordinary share of s.a. D'Ieteren n.v. Under these schemes, vesting conditions are three years' service from grant date and holders of vested options are entitled to purchase shares at the exercice price of the related scheme during the exercise period.

A reconciliation of the movements in the number of outstanding options during the period is as follows:

| | Number (in units) | |
|---|---|---|
| | **30 June 2017** | **30 June 2016** |
| Outstanding options at the beginning of the period | 1,101,692 | 1,056,481 |
| Granted during the period | 160,000 | 312,000 |
| Exercised during the period | -198,903 | -155,168 |
| **Outstanding options at the end of the period** | **1,062,789** | **1,213,313** |
| *of which: exercisable at the end of the period* | *300,346* | *466,259* |

All outstanding options are covered by treasury shares (see note 8).

During the period, one new plan totalling 160,000 options was granted at the exercise prices of EUR 41.80 and with an exercise period starting 1 January 2021 and ending in March 2027.

## NOTE 14: SUBSEQUENT EVENTS

**Automobile Distribution**

D'Ieteren Auto has signed a letter of intent to acquire two Rietje dealerships and a multi brand body shop in the northern Antwerp region. The deal does not include the buildings. The closing is subject to the approval of the competition authorities. The deal is in line with D'Ieteren's strategy to reinforce its retail presence on the Antwerp-Brussels axis.

On 1 July 2017, the Company sold its 50% stake in OTA Keys s.a. to Continental AG. OTA Keys was set up by the Company and Continental in 2014 to develop virtual key solutions. OTA Keys was included in the Group's consolidated accounts via the equity method. In H1 2017, the share of the Group in OTA Keys' result amounts to EUR -0.6 million. A consolidated gain on sale of ca. EUR 3 million will be booked during the second semester 2017.

**Vehicle Glass**

Early July 2017, Belron announced the signing of an agreement to acquire Eurocar Point, a franchise network of 250 body shops in Italy. Eurocar Point will bring technical knowledge of the body shop sector and Belron will add its own organisational and managerial efficiency and, not least, its core competence in communication and customer satisfaction. In a first stage, both networks (Carglass® and Eurocar Point) will operate their networks separately while keeping their respective brands. The deal is expected to close in September 2017. This transaction is in line with Belron's strategy to extend the services it offers.

# Auditor’s Report

**Statutory auditor’s report to the Board of Directors of D’Ieteren SA on the review of the condensed consolidated interim financial statements as at 30 June 2017 and for the six-month period then ended.**

**Introduction**
We have reviewed the accompanying consolidated statement of financial position of D’Ieteren SA as at 30 June 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and the condensed consolidated statement of cash flows for the 6 month period then ended, and notes to the interim financial information (“the condensed consolidated interim financial information”). The board of directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

**Scope of review**
We conducted our review in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2017 and for the 6-month period then ended is not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union.

Liège, 31 August 2017

KPMG Réviseurs d’Entreprises
Statutory Auditor
Represented by
Alexis Palm
Réviseur d’Entreprises/Bedrijfsrevisor