

Stern books good result in a slower market

Stern Groep N.V., listed Dutch market leader in automotive retail and services, announces its results for 2016.

Key points in 2016

- Net revenue amounted to €1,097.6 million (2015: €1,095.2 million).
- Gross EBITDA amounted to €74.9 million (2015: €71.7 million).
- The result before tax is €15.4 million and is its highest ever (2015: €14.4 million).
- The result after tax is €11.3 million (2015: €11.1 million).
- The result includes a net amount of €2.2 million in non-recurring income (2015: €0.8 million).
- The market share for new passenger cars has increased to 5.7% (2015: 5.4%).
- The market share for new light commercial vehicles is 8.1% (2015: 8.7%).
- The lease portfolio showed autonomous growth of 11.7% to 10,099 contracts at year-end 2016 (growth at national level: 5.7%).
- The total number of vehicles managed by Lease has risen to 13,149 (2015: 12,031).
- The negotiations with the banks on the refinancing are progressing positively. We expect to announce details (including the size and conditions) at the General Meeting of Shareholders.
- A dividend for the 2016 financial year of €1.00 (2015: €1.00) per share will be proposed to the General Meeting of Shareholders on 10 May 2017. An interim dividend of €0.25 per share has already been distributed in December 2016.
- 2017 features the new 3-year plan 'More Solutions and Services'.
- The 2016 annual report will be available online from 16 March 2017.

Henk van der Kwast, Chief Executive Officer:

"Since March 2016, Stern has been working on a new and clearly formulated strategic plan that builds on the direction we took several years ago of transformation from a large dealer holding company to an integrated and highly profitable mobility group with an increasing range of our own products and services. The essence of this new plan is the shift of focus from operating car dealerships to offering mobility solutions and services and a conscious choice for more autonomy and less dependency. If the new strategic plan is implemented with vigour and discipline, supported by a sophisticated online proposition, the plan can significantly increase Stern's EBITDA in the years to come. We see a doubling of the current level by 2020 as a distinct possibility. Around a third of the increase will have to come from cost savings and synergy benefits. Around two thirds will have to come from More Solutions and Services."

Consolidated key figures (1)

| (x €1,000) | 2016 | 2015 | index |
|--------------------------------------|-----------|-----------|-------|
| Net revenue | 1,097,630 | 1,095,181 | 100.2 |
| EBITDA gross (2) | 74,886 | 71,735 | 104.4 |
| EBITDA net (3) | 26,655 | 29,489 | 90.4 |
| EBIT | 18,737 | 18,809 | 99.6 |
| Result after tax | 11,348 | 11,067 | 102.5 |
| Net cash flow (4) | 19,207 | 21,159 | 90.8 |
| Gross cash flow (5) | 61,859 | 58,649 | 105.5 |
| Total assets | 623,853 | 585,695 | 106.5 |
| Equity | 156,994 | 150,779 | 104.1 |
| Net financial liabilities (6) | 297,864 | 295,848 | 100.7 |
| Equity / total assets | 25.2 | 25.7 | 97.8 |
| Data per share (x €1) | | | |
| Number of shares outstanding | 5,675,000 | 5,675,000 | 100.0 |
| Average number of outstanding shares | 5,675,000 | 5,673,560 | 100.0 |
| Earnings per share | 2.00 | 1.95 | 101.5 |
| EBITDA gross per share | 13.23 | 12.64 | 104.7 |

- (1) The consolidated income statement and statement of financial position are attached to this press release.
- (2) Gross EBITDA is the result before tax and before interest expenses + regular amortisation and depreciation expenses + depreciation expenses for the lease fleet and the rental fleet.
- (3) Net EBITDA is the result before tax and before interest expenses + regular amortisation and depreciation expenses.
- (4) Net cash flow is the result after tax + regular amortisation and depreciation expenses.
- (5) Gross cash flow is the result after tax + regular amortisation and depreciation expenses + depreciation expenses for the lease fleet and the rental fleet.
- (6) Net financial liabilities concerns interest-bearing loans less cash and cash equivalents.

Notes to the consolidated figures

Revenue

Stern's consolidated revenue of €1,097.6 million set a new record in 2016, mainly due to the significant increase in sales of new light commercial vehicles and used passenger cars and used light commercial vehicles, which compensated for the decline in sales of new passenger cars.

At Stern Mobility Solutions, revenue was up 8.0% due to the growth of the lease fleet.

EBITDA

Gross EBITDA rose by €3.2 million (+4.4%) from €71.7 million in 2015 to €74.9 million in 2016. There was a slight decline in net EBITDA, mainly due to the sale and leaseback of 10 strategic premises at the end of 2015 (now involving higher rental costs which are offset by much lower depreciation and interest expenses). This decline in net EBITDA was more than offset by the higher depreciation on the lease fleet in 2016.

EBIT

EBIT was virtually unchanged on 2015 at €18.7 million. The result of Dealergroup Stern declined by €1.3 million (8.5%), mainly due to the positive effect on the 2015 result of the rush to buy plug-in hybrids towards the end of that year. Stern Mobility Solutions reported an increase in EBIT of €1.4 million (17.7%) as a result of the growth of the fleet (by 11.7% in 2016) as well as lower financing costs for the fleet in 2016 as a result of the refinancing in mid-2016.

A net sum of €2.2 million in non-recurring income was recognised in 2016. The main income item was the book profit on two premises (amounting to €5.3 million). The main non-recurring expense concerned the loss on discontinued operations at SternPoint of €1.1 million, non-recurring losses on debtors of €1.0 million and reorganisation costs at operating companies of €0.8 million. A net sum of €0.8 million in non-recurring income was recognised in 2015.

Finance expenses

Finance expenses of €3.4 million were down sharply by €1.2 million on 2015, mainly due to the sale and leaseback of ten premises at the end of 2015, which led to a significant reduction in interest-bearing debt. The interest-rate spreads on Facilities A and B were also set at lower levels after the facilities were extended by one year until mid-2017. On the other hand, there was greater usage of working capital at Dealergroup Stern in 2016 due to higher, to some extent registered, inventory which led to higher interest expense.

Tax

The result before tax in 2016 came to €15.4 million. The related tax liability is €4.0 million. Only €0.8 million of this liability is actually due in the short term. This concerns the immediate tax liability of the tax group Stern Leasing N.V. The remaining tax liability is set off against the deferred tax assets due to tax losses carried forward.

Result before and after tax

Stern Group's result before tax came to €15.4 million in 2016, and is the highest pre-tax result ever realised in the history of Stern. The result after tax in 2016 came to €11.3 million, in line with the forecasts made in the press release announcing the third quarter figures for 2016.

Statement of financial position

Total assets at year-end 2016 amounted to €623.9 million, compared to €585.7 million at year-end 2015. €11.1 million of the €38.2 million (6.5%) increase was due to the increase in the lease and rental portfolio and €27.6 million came from an increase in the inventory of new passenger cars and light commercial vehicles. Equity amounted to €157.0 million at year-end 2016, an increase of €6.2 million compared to year-end 2015. The higher total assets as a result of the larger lease fleet and the increase in the inventory of cars led to a slight decline in overall solvency, despite the increase in equity at year-end 2016, to 25.2% (year-end 2015: 25.7%). Strong deliveries of new cars in January 2017 led to a decline of more than €25 million in the inventory of cars at the end of January 2017.

Stern has facilities amounting to €230 million (Facility A for retail finance of €70 million and Facility B for lease finance of €160 million) at three banks. These facilities run until the end of June 2017. Stern is consulting with the banks regarding the refinancing of Facilities A and B and is studying the possibilities for securitising the car lease portfolio. The refinancing should lead to a facility on favourable conditions that will enable Stern to realise its growth ambitions in the period until year-end 2019.

Key figures per segment

The core activities of Stern Groep N.V. are divided into four segments:

- Dealergroup Stern;
- Stern Mobility Solutions;
- Stern Car Services;
- Other.

The key figures per segment (actual 2016 versus 2015) are as follows:

| (figures x €1,000) | EBIT | | EBITDA gross | | Net revenue | | Total assets | |
|--------------------------|---------------|---------------|---------------|---------------|------------------|------------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Dealergroup Stern | 13,957 | 15,251 | 17,034 | 18,639 | 950,241 | 955,130 | 299,117 | 267,470 |
| Stern Mobility Solutions | 9,398 | 7,985 | 57,678 | 50,286 | 109,819 | 101,727 | 248,749 | 233,075 |
| Stern Car Services | -917 | -868 | -307 | -891 | 25,655 | 27,262 | 3,807 | 7,739 |
| Other | -3,701 | -3,559 | 481 | 3,701 | 11,915 | 11,062 | 72,180 | 77,411 |
| | <u>18,737</u> | <u>18,809</u> | <u>74,886</u> | <u>71,735</u> | <u>1,097,630</u> | <u>1,095,181</u> | <u>623,853</u> | <u>585,695</u> |

Highlights Dealergroup Stern

The consolidated revenue of **Dealergroup Stern** of €950.2 million was 0.5% lower than in 2015. Revenue from new passenger cars was significantly lower, due to the rush to buy plug-in hybrids taxed at 7% in the previous year. This decline was almost fully offset by the significant rise in revenue from new light commercial vehicles and used passenger cars and used light commercial vehicles.

Dealergroup Stern sold a total of 21,632 new passenger cars in 2016. This is a decline of 10.7% compared to 2015, but nonetheless represents a clear outperformance relative to the national market. The market share of new passenger cars came to 5.7% in 2016, compared to 5.4% in 2015.

The operating result (EBIT) of Dealergroup Stern of €14.0 million was down 8.5% on the record year in 2015, which was affected by the rush to buy plug-in hybrids taxed at 7%. Only Vireo Auto (which represents the FCA brands such as Fiat and Alfa Romeo) was loss-making within Dealergroup Stern. We expect the measures put in place in the course of 2016 to bear fruit in 2017.

Total assets at €299.2 million were up 11.8% on year-end 2015. The inventory of new cars at year-end 2016 stood at €140.6 million (up 24.3% on year-end 2015). This increase was mainly due to earlier deliveries to Stern of new passenger cars and light commercial vehicles ordered by Dealergroup Stern for delivery to customers in January. €74.3 million of the inventory of new cars had been sold at year-end 2016 (year-end 2015: €66.3 million). These cars were delivered in early 2017.

Highlights Stern Mobility Solutions

With effect from 2016, the segment **Stern Mobility Solutions** also includes the car rental operations and the comparative figures have been adjusted accordingly. The national lease fleet increased by 5.7% in 2016 to approximately 798,000 vehicles at year-end 2016. The lease fleet of SternLease increased by 11.7% due to autonomous growth in 2016 to 10,099 vehicles. 2016 was thus the twelfth consecutive year in which SternLease outperformed the national lease market. As a result of the increase of the lease fleet and better interest-rate conditions, the operating result of Stern Mobility Solutions was up 17.7% to €9.4 million in 2016. The gross EBITDA of Stern Mobility Solutions came to €57.8 million in 2016, an increase of 15.0% compared to 2015. The increase in the fleet led to an increase in total assets of €11.1 million (5.6%) compared to year-end 2015. The Debt/EBITDA ratio for Stern Mobility Solutions at year-end 2016 stood at 3.95.

Highlights Stern Car Services

Stern Car Services (car repair and multibrand garage services) achieved a negative operating result of €0.9 million in 2016 (2015: -€0.9 million).

Revenue at SternSchade rose by €2.7 million or 11.3% in 2016 compared to 2015, against a national revenue increase of 8.4%. The increased revenue at SternSchade was achieved through the expansion of brand-recognised repairs for insurers at all 12 branches of SternSchade.

The activities of the four SternPoint premises were, after reorganisation, transferred to Dealergroup Stern in September 2016. The reorganisation expenses at SternPoint of €1.1 million were a major factor in the negative operating result.

The procurement conditions have been significantly improved in early 2017. In combination with the growth and the expansion of the activities, we expect to see a clear positive operating result at Stern Car Services in 2017.

In mid-January 2017, Stern announced in a press release that its new strategic plan includes an increased focus on Solutions and Services. As part of this, SternSchade will add simple car maintenance to its existing repair services. We will also strive to expand the number of branches from the current level of 12 to around 25 to achieve a national footprint over a period of up to two years. These activities will be operated under the name of SternPoint.

Highlights Other

With effect from 2016, the **Other** segment includes the light commercial vehicle interiors activities (SternTec) and E-Mobility activities (Mango Mobility). The operating result of this segment was €3.7 million negative. A significant portion of the negative result concerns holding costs that were not recharged. Stern has deliberately decided not to recharge all the holding costs to the segments, meaning that the Other segment will continue to realise a negative operating result in the future.

The results of Mango Mobility have not yet met expectations, partly due to limited product availability and an unfavourable margin mix in the first half of 2016. Various stringent measures have now been taken, including a severe cost-cutting programme and full integration into the structure of Stern. A small negative operating result is also expected in 2017. Higher revenue is expected to lead to clear positive results in the years to follow.



Dividend proposal

At the General Meeting of 10 May 2017, it will be proposed that excess solvency for the dividend to be distributed over a financial year will no longer be determined as at 31 December of the year in question, but will be determined on the basis of the statement of financial position as at 31 March in the year following the financial year. Consistent with prior year and in line with the dividend policy a total dividend of €1.00 in cash per share will be proposed. The dividend will be payable on 7 June 2017 and will be paid after deduction of the interim dividend of €0.25 per share paid on 23 December 2016. We expect the excess solvency as at 31 March 2017 to be more than sufficient.

Outlook

We look forward to the development of the results in 2017 with confidence, on the basis of the positive market developments, the continuing growth of Stern Mobility Solutions and the effects of the reorganisation of certain business segments.

KEY DATES

| | |
|---|----------------|
| 2016 annual report available online | 16 March 2017 |
| Publication of first quarter results 2017 | 9 May 2017 |
| General Meeting | 10 May 2017 |
| Publication of first half results 2017 | 18 August 2017 |

Note to editorial staff, not for publication: For further information, please contact H.H. van der Kwast (Stern Group), T +31(0)20 613 60 28

Profile of Stern Groep N.V.

Stern is a large Dutch mobility group that has been listed on Euronext Amsterdam since 2000. Since then, the intended significant growth has been realised in the major car-intensive regions of the country: North and South Holland, Utrecht and North Brabant. The network has more than 100 branches with approximately 2,200 employees, and collectively realises net annual revenue (excluding BPM) in excess of €1 billion. Stern will continue its growth strategy in the coming years.

Stern believes in individual mobility, sustainability and diversity. For this reason, it offers a wide variety of car brands and additional mobility services. For those preferring a means of transport other than a car, through Mango Mobility Stern offers electric 2, 3 and 4 wheel transport solutions with speeds of up to 45 kilometres an hour.

With Stern Mobility Solutions, Stern is engaged in services including leasing (SternLease), rental (SternRent), fleet management (SternPartners), insurance (SternPolis), finance (SternCredit) and extended guarantees (SternGarant). Stern Mobility Solutions manages over 13,000 vehicles and more than 60,000 contracts.

With a growing network of currently 19 branches, the Stern Car Services division offers services in the area of (brand recognised) repairs, multibrand after-sales and the intake and provision of rental cars (SternPoint).

Dealergroup Stern has five clusters representing several leading brands such as 1) Mercedes-Benz, 2) Renault and Nissan, 3) Ford, 4) Volvo, Land Rover and Fiat, 5) Volkswagen, Audi, Kia and Opel. Dealergroup Stern has a total of approximately 85 branches.

The specifications included in the attachment are taken from the 2016 financial statements of Stern Groep N.V., for which Ernst & Young Accountants LLP issued an unqualified audit opinion on 8 March 2017.



Consolidated income statement

(figures x €1,000)

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| Net revenue | 1,097,630 | 1,095,181 |
| Cost of sales | <u>(907,850)</u> | <u>(906,952)</u> |
| Gross profit | 189,780 | 188,229 |
| Other income | 9,359 | 6,159 |
| Employee expenses | <u>(112,574)</u> | <u>(110,713)</u> |
| Amortisation of intangible non-current assets | (59) | (160) |
| Depreciation of property, plant and equipment and real estate investments | <u>(7,859)</u> | <u>(10,092)</u> |
| Other operating expenses | <u>(59,910)</u> | <u>(54,614)</u> |
| Operating result (EBIT) | 18,737 | 18,809 |
| Result from associates | 46 | 195 |
| Financial income and expenses | <u>(3,404)</u> | <u>(4,570)</u> |
| Result before tax | 15,379 | 14,434 |
| Tax on result | <u>(4,031)</u> | <u>(3,367)</u> |
| Result after tax (attributable to the shareholders of Stern Groep N.V.) | <u><u>11,348</u></u> | <u><u>11,067</u></u> |
| Earnings per share | | |
| Weighted average number of outstanding shares | 5,675,000 | 5,673,560 |
| Earnings per share based on profit after tax | €2.00 | €1.95 |
| Earnings per share diluted - based on result after tax | €2.00 | €1.95 |



Consolidated statement of comprehensive income

(figures x €1,000)

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| Profit after tax (attributable to Shareholders of Stern Groep N.V.) | 11,348 | 11,067 |
| Other comprehensive income | | |
| Other comprehensive income to be transferred to the statement of income in the following periods: | | |
| Effective portion of changes to the cash flow hedge | 723 | 667 |
| Effect of tax on result | <u>(181)</u> | <u>(166)</u> |
| Income and expenses not recognised in the statement of income | <u>542</u> | <u>501</u> |
| Total comprehensive income after tax (attributable to the shareholders of Stern Groep N.V.) | <u>11,890</u> | <u>11,568</u> |

Consolidated statement of financial position as at 31 December

(figures x €1,000)

| | <u>31 December 2016</u> | <u>31 December 2015</u> |
|---|-------------------------|-------------------------|
| Assets | | |
| Non-current assets | | |
| Intangible non-current assets | 30,011 | 30,070 |
| Property, plant and equipment | 280,294 | 269,264 |
| Real estate investments | - | 2,666 |
| Investments in associates | 991 | 956 |
| Other financial assets | 11,233 | 11,453 |
| Deferred tax assets | 22,428 | 25,562 |
| | <u>344,957</u> | <u>339,971</u> |
| Current assets | | |
| Inventory | 222,797 | 189,050 |
| Trade receivables | 47,576 | 49,405 |
| Other accounts receivable and accrued income and prepaid expenses | 7,530 | 6,661 |
| Cash and cash equivalents | 993 | 608 |
| | <u>278,896</u> | <u>245,724</u> |
| Total assets | <u><u>623,853</u></u> | <u><u>585,695</u></u> |

| | <u>31 December 2016</u> | <u>31 December 2015</u> |
|--|-------------------------|-------------------------|
| Liabilities | | |
| Equity (attributable to the shareholders of Stern Groep N.V.) | | |
| Issued capital | 593 | 593 |
| Share premium reserve | 114,734 | 114,734 |
| Other reserves | 27,772 | 22,774 |
| Revaluation reserve | 2,252 | 2,005 |
| Unallocated result | 11,643 | 10,673 |
| | <u>156,994</u> | <u>150,779</u> |
| Non-current liabilities | | |
| Interest-bearing loans | 6,292 | 145,373 |
| Provisions | 1,414 | 1,177 |
| Prepaid receipts from lease and warranties | 1,305 | 1,222 |
| | <u>9,011</u> | <u>147,772</u> |
| Current liabilities | | |
| Interest-bearing loans | 292,565 | 151,083 |
| Provisions | 988 | 2,955 |
| Creditors | 133,050 | 101,624 |
| Derivatives | 992 | 1,714 |
| Tax and social insurance contributions | 4,615 | 2,968 |
| Other liabilities and accruals and deferred income: | 25,638 | 26,800 |
| | <u>457,848</u> | <u>287,144</u> |
| Total equity and liabilities | <u><u>623,853</u></u> | <u><u>585,695</u></u> |

Movements in equity

(figures x €1,000)

| | Issued capital | Share premium reserve | Other reserves | Revaluation reserve | Unallocated Result | Total |
|--|----------------|-----------------------|----------------|---------------------|--------------------|----------------|
| Balance at 01 January 2016 | 593 | 114,734 | 22,774 | 2,005 | 10,673 | 150,779 |
| Result after tax | - | - | - | (295) | 11,643 | 11,348 |
| Other comprehensive income after tax | - | - | - | 542 | - | 542 |
| Total comprehensive income for 2016 (attributable to the shareholders of Stern Groep N.V.) | - | - | - | 247 | 11,643 | 11,890 |
| Result appropriation | - | - | 10,673 | - | (10,673) | - |
| Cash dividend | - | - | (5,675) | - | - | (5,675) |
| Balance at 31 December 2016 | 593 | 114,734 | 27,772 | 2,252 | 11,643 | 156,994 |

| | Issued capital | Share premium reserve | Other reserves | Revaluation reserve | Unallocated Result | Total |
|--|----------------|-----------------------|----------------|---------------------|--------------------|----------------|
| Balance at 1 January 2015 | 593 | 114,734 | 21,544 | 1,110 | 2,588 | 140,569 |
| Result after tax | - | - | - | 394 | 10,673 | 11,067 |
| Other comprehensive income after tax | - | - | - | 501 | - | 501 |
| Total comprehensive income for 2015 (attributable to the shareholders of Stern Groep N.V.) | - | - | - | 895 | 10,673 | 11,568 |
| Result appropriation | - | - | 2,588 | - | (2,588) | - |
| Cash dividend | - | - | (1,425) | - | - | (1,425) |
| Sale of shares | - | - | 67 | - | - | 67 |
| Balance at 31 December 2015 | 593 | 114,734 | 22,774 | 2,005 | 10,673 | 150,779 |

Consolidated cash flow statement

(figures x €1,000)

| | 2016 | 2015 |
|---|-----------------|-----------------|
| Result before tax | 15,379 | 14,434 |
| Adjustments for: | | |
| Result from associates | (46) | (195) |
| Result Bovemij Verzekeringsgroep N.V. | 295 | (394) |
| Interest expense in result | 3,404 | 4,570 |
| Amortisation of intangible non-current assets | 59 | 160 |
| Depreciation of property, plant and equipment and real estate investments | 50,511 | 47,582 |
| Result on sale of business segments | (311) | - |
| Income from sale of property, plant and equipment | (8,672) | (5,094) |
| Contribution to/ (withdrawal from) allowances | (1,730) | 1,961 |
| Prepaid receipts from lease and warranties | 83 | (515) |
| Changes in working capital | | |
| ↘ movement in inventory | (33,598) | (17,986) |
| ↘ movement in accounts receivable | 682 | (20,016) |
| ↘ movement in accounts payable | 31,554 | 2,655 |
| Cash flow from business operation | 57,610 | 27,162 |
| Dividend received from associates | 11 | - |
| Tax paid | (605) | - |
| Interest paid | (3,434) | (4,356) |
| | (4,028) | (4,356) |
| Cash flow from operating activities | 53,582 | 22,806 |
| Investments in property, plant and equipment | (113,787) | (126,461) |
| Acquisitions, excluding cash received | (314) | (965) |
| Divestments of intangible non-current assets | - | 196 |
| Divestments of property, plant and equipment | 63,688 | 100,856 |
| Received from sale of business divisions | 490 | - |
| Cash flow from investment activities | (49,923) | (26,374) |
| Dividends paid | (5,675) | (1,425) |
| Sale of shares | - | 67 |
| Movement in interest-bearing loans | 2,401 | 3,898 |
| Cash flow from financing activities | (3,274) | 2,540 |
| Increase/(decrease) in cash and cash equivalents | 385 | (1,028) |
| Balance of cash and cash equivalents at opening date | 608 | 1,636 |
| Balance of cash and cash equivalents at closing date | 993 | 608 |
| Movement in cash | 385 | (1,028) |