D'Ieteren

ACTIVITY REPORT
2017

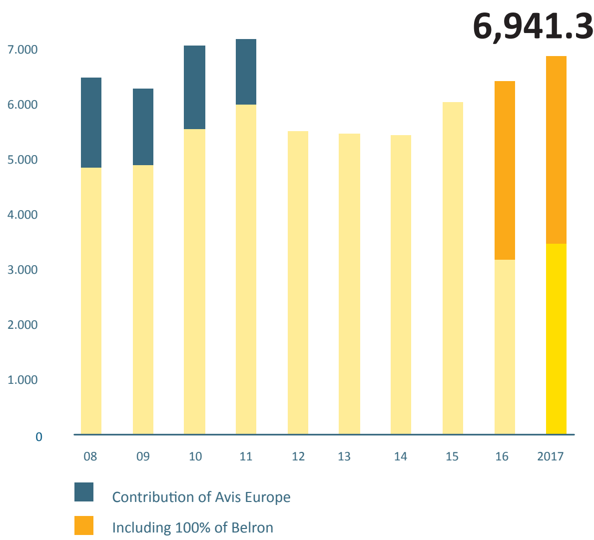
KEY INDICATORS

Consolidated results (EUR million)	2008	2009	2010	2011	2012	2013	2014	2015	2016[1]	2017
Revenues (IFRS)	6,501.2	6,269.7	5,533.8	5,977.3	5,514.5	5,470.5	5,453.1	6,035.4	3,166.3[2]	3,455.1[3]
Combined revenues[4]	6,501.2	6,269.7	7,053.6	7,138.5	5,514.5	5,470.5	5,453.1	6,035.4	6,471.7	6,941.3
Adjusted operating result[5, 6]	375.1	384.7	348.2	377.2	250.2	220.2	218.4	248.5	281.1	300.9
Adjusted result, group's share:										
- before tax[5, 7]	191.7	214.2	276.2	305.8	200.2	177.6	175.9	212.1	241.6	247.9
- after tax[5]	159.0	182.8	234.2	312.0	159.4	136.1	144.0	186.5	215.3	194.8
Group's share in the net result for the period[8]	32.2	158.5	218.8	312.6	190.1	114.0	-11.1	130.7	49.9	112.6
Financial structure (EUR million)										
Equity of which:	1,030.8	1,154.6	1,464.7	1,532.1	1,679.2	1,725.2	1,644.8	1,735.1	1,683.5	1,760.5
- Capital and reserves attributable to equity holders	896.1	1,028.5	1,250.6	1,530.5	1,677.4	1,723.6	1,644.2	1,733.3	1,683.0	1,764.3
- Minority interest	134.7	126.1	214.1	1.6	1.8	1.6	0.6	1.8	0.5	-3.8
Net debt[6] *(APM - see glossary page 52)*	2,209.7	1,770.2	1,823.0	850.2	491.3	505.3	597.8	573.2	993.5	1,011.8
Data per share[9] (EUR)										
Group's share in the net *adjusted* result for the period[5, 8, 10]	2.89	3.33	4.26	5.65	2.89	2.47	2.29	3.32	3.92	3.55
Group's share in the net result for the period[8, 10]	0.59	2.89	3.97	5.66	3.45	2.07	-0.20	2.38	0.91	2.05
Gross dividend per ordinary share	0.300	0.325	0.425	0.800	0.800	0.800	0.800	0.900	0.950	3.800[11]
Capital and reserves attributable to equity holders	16.20	18.60	22.61	27.67	30.33	31.17	29.73	31.34	30.43	31.90
Share Information[9, 10] (EUR)										
Highest share price	24.80	29.92	47.20	49.85	40.64	37.36	37.68	37.59	45.16	45.88
Lowest share price	7.22	7.56	28.85	32.73	28.95	29.21	27.66	27.36	26.08	35.84
Share price as at 31/12	7.51	27.91	47.20	34.07	30.44	36.20	29.30	34.42	42.00	37.54
Average share price	17.53	17.43	36.99	43.22	34.98	34.39	31.95	32.74	37.84	40.90
Average daily volume (in number of shares)	82,294	72,195	75,896	79,230	55,659	46,024	40,302	43,418	47,723	39,457
Market capitalisation as at 31/12 (EUR million)	415.3	1,543.5	2,610.3	1,884.2	1,683.4	2,002.0	1,620.1	1,903.2	2,322.7	2,075.8
Total number of shares issued	55,302,620	55,302,620	55,302,620	55,302,620	55,302,620	55,302,620	55,302,620	55,302,620	55,302,620	55,302,620
Average workforce[6] (average full time equivalents)	28,450	29,283	26,374	26,884	25,787	27,246	26,810	27,970	28,348	31,222

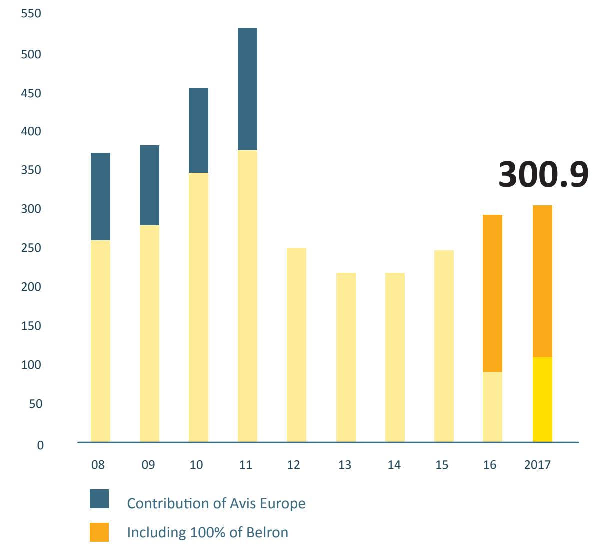
1. Includes Moleskine as from 1 October 2016.
2. Restated to include Belron under discontinued operations under IFRS.
3. Belron is classified under discontinued operations under IFRS.
4. Combined revenues include 100% of Avis Europe until 1 October 2011 and 100% of Belron.
5. Excluding *adjusting* items.
6. Including Belron at 100%.
7. Following the creation of Volkswagen D'Ieteren Finance, whose results are accounted for using the equity method (and therefore excluded from revenue and from operating result), and in order to reflect all the group's activities, the *adjusted* result before tax, group's share, includes from 2012 onwards the group's share in the *adjusted* result before tax of the entities accounted for using the equity method.
8. Result attributable to equity holders of D'Ieteren, as defined by IAS 1.
9. Restated following the 10-to-1 share split in 2010.
10. Calculated in accordance with IAS 33.
11. Includes an extraordinary dividend of EUR 2.85

Note: In order to properly analyse the figures above, please note that D'Ieteren divested its interest in Avis Europe in 2011.

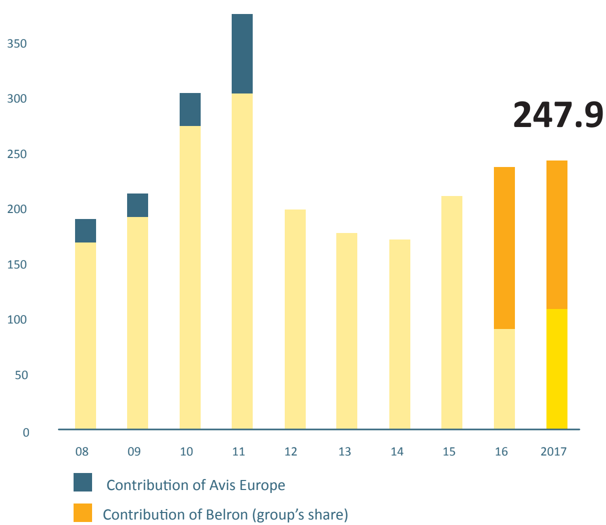
COMBINED REVENUES (EUR million)



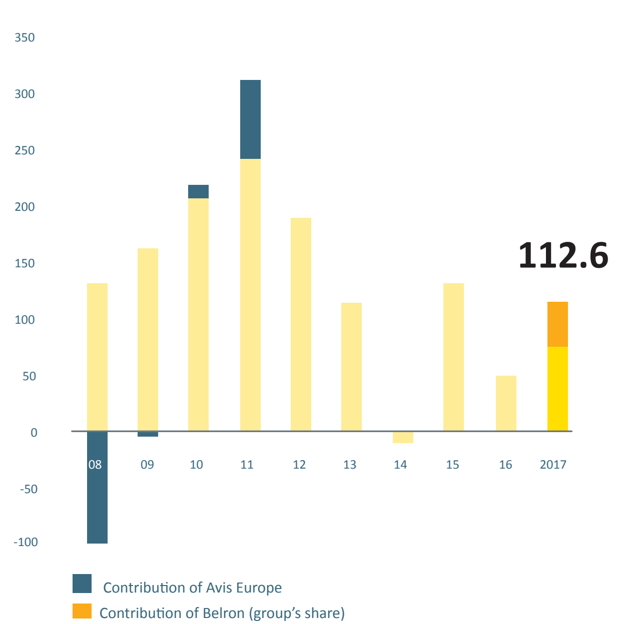
ADJUSTED OPERATING RESULT (EUR million)



ADJUSTED RESULT BEFORE TAX, GROUP'S SHARE, (EUR million)



GROUP'S SHARE IN THE NET RESULT FOR THE PERIOD (EUR million)



D'IETEREN'S SHARE PRICE SINCE 2008 (EUR)

CONTENTS

THE GROUP 1
D'Ieteren at a glance 1
Messages from the Chairman and CEO 2
Key figures by activity 8
Key events 2017 10

D'IETEREN AUTO 12
Message from Denis Gorteman, CEO 14
Business environment 16
Strategic approach 16
Corporate commitments 21
Key figures 2017 23
New models 24

BELRON 28
Message from Gary Lubner, CEO 30
Strategic approach 32
Corporate Commitments 36
Key figures 2017 39

MOLESKINE 40
Message from Lorenzo Viglione, CEO 42
Strategic approach 44
Corporate commitments 47
Key figures 2017 51

GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES (APMs) USED IN THIS ACTIVITY REPORT 52

This Activity Report does not constitute the annual financial information. This information is entirely comprised in the 2017 Financial and Directors' Report. The definition of the Alternative Performance Measures (APMs) used in this Activity Report, which are non-GAAP measures (i.e. their definition is not addressed by IFRS), can be found in the glossary on page 52 of this report. For further information on the APMs used by D'Ieteren, see page 10 of the Financial and Directors' Report.

In existence since 1805, and across family generations, D'Ieteren 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 Group has currently three activities articulated around strong brands:

D'IETEREN AUTO

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 21% and 1.2 million vehicles on the road at the end of 2017. In addition to Belgian vehicle distribution, D'Ieteren Auto provides after sales services through its Corporate-owned dealerships.

2017 sales: EUR 3.3 billion
2017 operating result: EUR 71.1 million

BELRON

(54.85% owned) is the worldwide leader in vehicle glass repair and replacement with more than ten 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 and homes. In 2017 Belron served 16.5 million consumers in 34 countries on six continents.

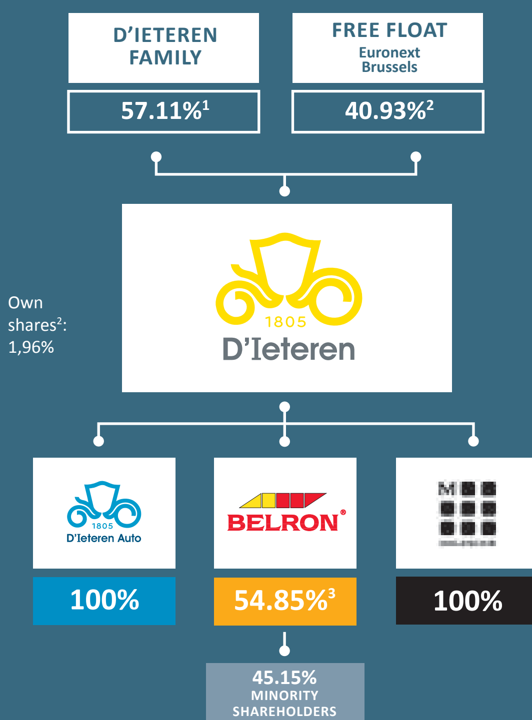
2017 sales: EUR 3.5 billion
2017 operating result: EUR 148.5 million

MOLESKINE

(100% owned) 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 in more than 115 countries.

2017 sales: EUR 155.4 million
2017 operating result: EUR 25.2 million

A FAMILY-CONTROLLED, LISTED COMPANY...



...WITH AN INTERNATIONAL PRESENCE

>> REPRESENTED IN MORE THAN **115** COUNTRIES

[1] In voting rights: 60.66%
[2] At 31 december 2017
[3] At 07 february 2018

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

As I sit down to write these words for the 2017 Annual Report of the D'Ieteren Group – my first message to you as Chairman of the Board – I would like to pay homage to the memory of my grandfather Pierre D'Ieteren, who paved the way for the alliance that has now linked us to the Volkswagen Group for 70 years. I would also like to salute my father, Roland D'Ieteren, who for 50 years presided over the internationalisation and the diversification of our Company's business.

Like the generations that have preceded me, I have the ambition to make D'Ieteren an organisation that is defined not by its object but rather by its purpose: to build a family of companies in search of excellence and expansion. Since the Group's beginnings, our success rests on this commitment to quality and a thirst for innovation; a hallmark of which the Group's 31,222 employees working in more than 115 countries around the world can feel deservedly proud.

This determination that is so characteristic of our Company provides fuel for our employees and our growth ambitions. We are giving ourselves the time and the resources necessary to achieve these goals. With confidence and determination, we are seeking out new activities whose character, purpose and ways of working are compatible with those of the D'Ieteren Group. And it is with enthusiasm that we will seize these opportunities.

In addition to the decisions taken to ensure the growth of our activities, it is essential that our Board of Directors be able to fulfil its fundamental role for good governance and strategic impulse. Only in this way can we stay on course, make the right choices and turn our ambitions into reality. Finally, I am fully committed to ensuring a healthy collaboration between the representatives of the family shareholders, the Board of Directors and the Group's senior management team.

I would like to thank all of our shareholders for their support and their trust.

Nicolas D'Ieteren
Chairman of the Board of Directors

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

It is in the very nature of things that essential movements only become apparent when we distance ourselves from the conscious steps taken every day to try to realise them. As we look back on 2017 and consider our priorities for 2018 – companies have no choice but to respect this annual rhythm, even though they evolve and grow over a longer timeframe – it seems clear that 2017 will go down in the history of the D'Ieteren Group as a year of profound change, where the respective times of the shareholders, the Company and the environment in which we find ourselves all underwent significant evolutions. These evolutions, and the way in which we either consciously put them into motion or responded to them, now provide a solid foundation and fresh momentum for the next chapter of our adventure.

The time of shareholders first. In 2017, Nicolas D'Ieteren succeeded his father Roland D'Ieteren as Chairman of the Board of Directors, while Olivier Périer took over as Head of the Strategic Committee, which connects the family shareholders with the Group's Executive Committee. More than just taking office, this was a generational changing of the guard. We have considered the D'Ieteren project, our objectives and above all why our Company, which is now more than two centuries old, still manages to attract, motivate and develop the talent that we are proud to call our own. D'Ieteren is a family investment company that aims to be relevant now and in the future, both for its employees and its customers but also for all the communities where it is present or where it can have a positive impact. This requires a deep and conscious reflection on our vision, our way of doing business and the choices we make in pursuing the Group's two core missions: to strengthen our existing activities and to seek out new ones. If we are to achieve our objectives over the long term, it is essential that we remain fully aligned at all levels of governance with a clear vision of our objectives and our means to achieve them. In this sense, 2017 served as an essential year of reflection for the pursuit of our action.

The time of our business, second. Belron's core activity takes place on a market that is increasing in value and decreasing in volumes. The broad lines of its direction nevertheless remain the same (i) to continue seeking market share gains and to improve efficiency, (ii) to seize opportunities to increase the added value of its services and products (ADAS, new products and services), (iii) to roll out its new activities (in bodywork in Belgium, Italy, Canada and UK, and in home maintenance in France, Australia and New Zealand), (iv) to enhance the organisation and structure in order to fully exploit the Company's core strengths. 2017 also saw us successfully complete Belron's refinancing and the sale of our 40% stake in the capital of Belron to our partner Clayton, Dubilier & Rice. This major operation enables us to achieve three crucial objectives: (i) to create sustainable conditions for Belron's continued growth, (ii) to build a constructive relationship with a high-quality partner that is totally aligned with D'Ieteren's priorities for the Group's future development and (iii) to provide the D'Ieteren Group with the means to add new activities to its stable and to pursue its own growth. The roadmap for the coming years is clear and 2017 was a milestone year for Belron's future development.

The automobile market remained buoyant in 2017, and D'Ieteren Auto successfully pursued several important projects, including the overhaul of its dealership network, enhancing the efficiency of its distribution network in Brussels, Mechelen and Antwerp and an assessment of its working methods and future direction. D'Ieteren Auto also took stock of the changes underway in the area of mobility and laid the foundations for its future positioning on these markets. And although these shifts will be spread over the longer term, we have to be ready for the day when our customers' demand for mobility will go beyond the simple desire to own a car. For the time being, our thinking and actions are focused on how best to position D'Ieteren Auto's different activities (import, distribution, logistics, bodywork and financial services) and to organise them so as to remain on top of each market. Responsibility, delegation, strategic clarity, energy and efficiency are the watch words that will characterise the next stages in our development.

The Moleskine acquisition was sealed early in 2017. We then worked with the Moleskine teams to define the broad lines of our strategy for the next five years. We consciously invested in strengthening the structure of the Company in order to lay the foundations for future growth (recruitment, strategic functions, IT systems) and we continued to ensure the continued growth of its distribution channels, its product development and its geographic footprint, in an environment that holds a lot of potential, despite the stability of the wholesale channel in North America. We paid particular attention to supporting Moleskine's senior management team, notably with the appointment of Arrigo Berni as Chairman of the Board and Lorenzo Viglione as CEO, but also with the recruitment of a new Marketing Director, the creation of teams with clear objectives in different regions and distribution channels, and by adopting a new, energising approach to human resources, both at the executive director level and for all Moleskine employees. 2018 will see all of these projects being implemented, thereby creating bright prospects for Moleskine's value creation and growth.

The Group's teams have thought hard about how best to accompany new projects and manage the evolution of our businesses and about how to implement, in as clear a way as possible, new working practices and modes of interaction that will enable us to reach our goals. The creation of dedicated Investment Managers, the clarification of our roles and modes of intervention for the controlling, M&A and legal functions, the specialisation of the members of the Executive Committee and the fine-tuning – in concertation with our different businesses – of the ways in which we interact, communicate and take decisions are just a few examples. In partnership with the Members of the Board and the Executive Committees of our different businesses and our teams, we are defining a framework for communication and interaction that enables us to build on the positive energy of our staff, our straight-talking approach and the necessary alignment with the underlying motivations for our actions. Our aim is to transform D'Ieteren from an organisation now narrowly defined by its object to an organisation powered by its higher purpose.

And finally, **the time of the environment** in which we live. I evoked Belron's market environment, which offers an opportunity to develop new ideas which are the best paths towards future growth. In the automobile business, the environment is undergoing sweeping change, be it on the new vehicle segment, which remains at historically high levels, new tax regulations, the growing demand for petrol rather than diesel vehicles, changing customer attitudes and the new forms of importation and distribution that will be made necessary by technological advances and the gradual spread of connected cars, car sharing and electric or CNG-powered cars. For Moleskine, the focus will be on pursuing its growth strategy while remaining faithful to its founding ideas and principles. The unique character of the brand and its appeal are closely interwoven, not so much in terms of the products themselves, but in their ability to instil in so many people a desire to unleash their imagination and their creativity, with the profound conviction that they are contributing to the greater good. In today's consumerist world therefore, Moleskine speaks to human motivation, rather than the simple reflex to consume. This awareness offers extraordinary potential for genuine human progress. In this context, more than ever, D'Ieteren and its different businesses intend to pursue their current initiatives aimed at making a positive contribution to the human landscapes in which they operate, notably by supporting Afrika Tikkun (Belron), the Moleskine Foundation (Moleskine) and other non-profit projects proposed and supported by D'Ieteren Auto personnel. We continue to work on consciously reducing our environmental footprint, as demonstrated by the pages of this report dedicated to our commitment to socially responsible policies and strategies. We will invest considerable energy in reviewing our working practices and adapting wherever possible the working environment as a way of breathing life into our conviction that it is men and women who make the difference, provided their essential nature is recognised and given free rein to express itself.

In terms of its financial performance, the Group and its activities posted like-for-like sales growth of 5.7%, or 7.3% including Moleskine. Combined Group sales reached EUR 6.9 billion, with increases of 5.5% for Belron, 6% for D'Ieteren Auto and 6.7% for Moleskine. The *adjusted* result before tax, Group's share – which is our key indicator for financial communication – rose by 2.6% to EUR 247.9 million. Moleskine's results have been fully consolidated in D'Ieteren's accounts as from October 2016. The improvement of the result is in line with the most recent guidance provided at the Investor Day held in December 2017.

The free cash flow (EUR 121 million) reflects the positive contribution of cash generated from operations and investments by our activities (Belron in particular). At 31 December 2017, the Group's consolidated net debt stood at EUR 1,012 million, up 1.8% compared to 2016. Financial health is solid, with consolidated equity, Group's share, of EUR 1,764.3 million, an increase of 4.8% compared to 2016.

In light of these results, the Board of Directors voted to propose a stable gross ordinary dividend of EUR 0.95 per share and a gross extraordinary dividend of EUR 2.85 per share, totalling EUR 3.80 per share. The proposal to pay an exceptional dividend has been made following the sale of 40% of the shares held by D'Ieteren SA in Belron (after refinancing), which constitutes a one-off transaction, in order to allow shareholders to benefit in a tangible way from the value thus created.

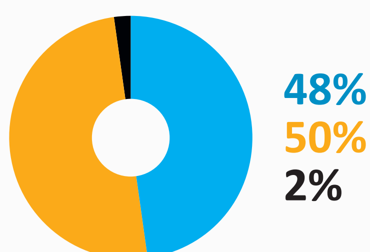
I want to thank all our team members across the Group for their hard work, the Members of the Board of Directors for their support, their contributions and their confidence. I also give a special thank you to my colleagues on the Executive Committee, Arnaud Laviolette and Francis Deprez, for their tireless efforts as we seek to make our Group better, and to all our team members without whose commitment we cannot make the difference that we all aspire to.

Axel Miller
Chief Executive Officer

COMBINED REVENUES[3]

6,941.3

EUR million in 2017

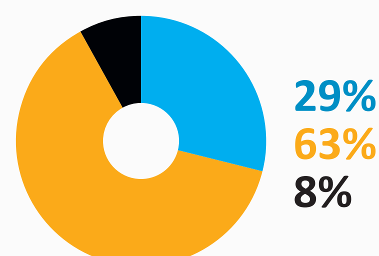


48%
50%
2%

ADJUSTED OPERATING RESULT[1,3]

300.9

EUR million in 2017



29%
63%
8%

(EUR million)	2016	2017	Change
D'Ieteren Auto	3,114.2	**3,299.7**	+6.0%
Belron	3,305.4	**3,486.2**	+5.5%
Moleskine	52.1[2]	**155.4**	-
Total	6,471.7	**6,941.3**	**+7.3%**

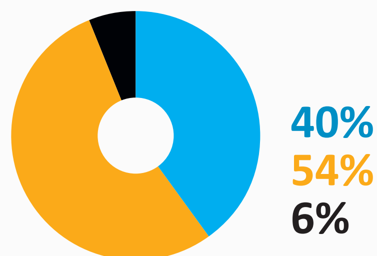
(EUR million)	2016	2017	Change
D'Ieteren Auto	75.8	**85.9**	+13.3%
Belron	190.7	**189.8**	-0.5%
Moleskine	14.6[2]	**25.2**	-
Total	281.1	**300.9**	**+7.0%**

1 Excluding *adjusting* items (APM - see glossary on page 52).
2 Consolidated as from 1 October 2016.
3 Including 100% of Belron.

ADJUSTED RESULT BEFORE TAX[1], GROUP'S SHARE (KPI)

247.9

EUR million in 2017



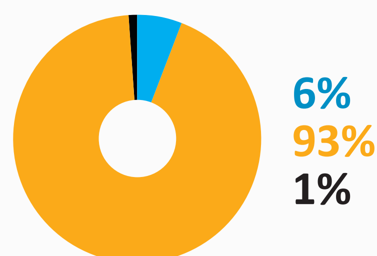
40%
54%
6%

(EUR million)	2016	2017	Change
D'Ieteren Auto	84.2	98.2	+16.6%
Belron	148.4	134.5	-9.4%
Moleskine	9.0[2]	15.2	-
Total	241.6	247.9	+2.6%

AVERAGE WORKFORCE

31,222

average full time equivalents in 2017



6%
93%
1%

(average full time equivalents)	2016	2017	Change
D'Ieteren Auto	1,610	1,794	+11.4%
Belron	26,340	28,994	+10.1%
Moleskine	398	434	+9.0%
Total	28,348	31,222	+10.1%

24 JANUARY

D'Ieteren holds 100% of the shares in Moleskine

D'Ieteren completed a squeeze-out on the remaining Moleskine shares. As a result, D'Ieteren controlled 100% of Moleskine shares. The Moleskine shares were subsequently removed from the Milan Stock Exchange.

1 ST JUNE

Nicolas D'Ieteren is named Chairman of D'Ieteren's Board

Nicolas D'Ieteren succeeded his father, Roland D'Ieteren, as Chairman of the Board of Directors. His Cousin, Olivier Périer took the role of Chairman of the Strategic Committee.

14 JULY

D'Ieteren Auto announces intention to acquire Rietje dealerships

D'Ieteren announced good progress in discussions with the Group Rietje to acquire its VW, Audi and Škoda dealerships, thereby confirming its intention to consolidate its position on the Brussels-Antwerp axis. The deal was finalized in January 2018.

15 SEPTEMBER

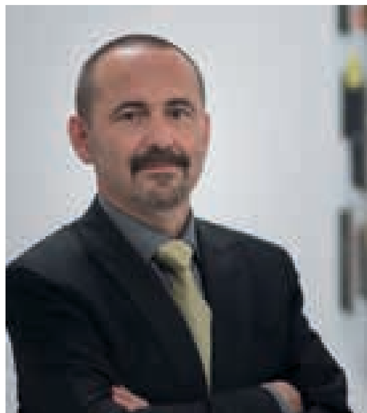
D'Ieteren Auto creates Lab Box

Lab Box was established as an independent legal entity to analyse and develop innovative mobility solutions. Poppy, a car-sharing venture located in Antwerp, is one of Lab Box's first initiatives. Its fleet consists of 350 'clean' cars (Volkswagen e-Golf and Audi A3 g-tron). After a test phase, Poppy was officially launched in January 2018.

19 SEPTEMBER

Lorenzo Viglione becomes Moleskine CEO

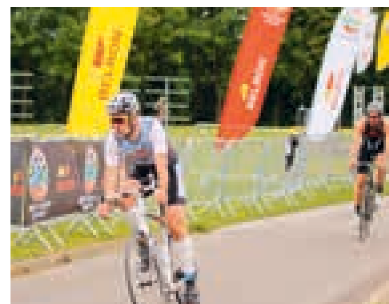
Moleskine's Board of Directors appointed Lorenzo Viglione as its new Chief Executive Officer. Arrigo Berni was appointed Chairman of the Board, having held the position of CEO since October 2006.



23 SEPTEMBER

Spirit of Belron Challenge

The annual Spirit of Belron Challenge was held in the United Kingdom. Taking part were Belron employees, their friends and families, business partners and suppliers from around the world. Overall, 2,100 people swam, ran or cycled over 36,000 km, raising more than EUR 1.2 million for Afrika Tikkun, Belron's corporate charity.



19 OCTOBER

Belron acquires Maisoning Group in France

Belron announced the acquisition of 80% of the shares of Maisoning Group, a French company providing home repair services (repair, renovation and emergency repairs) to both B2C and B2B customers. It is Belron's first home repair activity in the European Market.

20 OCTOBER

The Moleskine Foundation is born

The Moleskine Foundation is a non-profit organisation promoting literacy and education, primarily in Africa. It is committed to providing young people with unconventional educational tools and experiences that help foster critical thinking, creativity and life-long learning, with a focus on communities that are affected by cultural and social deprivation.

28 NOVEMBER

D'Ieteren and CD&R agree on a partnership investment in Belron

D'Ieteren and Clayton, Dubilier & Rice ("CD&R"), a global private investment firm, signed a definitive agreement for CD&R to acquire a 40% ownership interest in the Belron Group. The deal was closed on 7 February 2018.

21 DECEMBER

Belron enters an agreement to acquire Laser Group

Belron, through its subsidiaries O'Brien® Australia and Smith&Smith® New Zealand, entered into an agreement to acquire the assets and operations of Laser Plumbing and Electrical Group ANZ ("Laser Group"). Members of Laser Group provide plumbing and electrical services to both B2C and B2B customers across Australia and New Zealand.

D'IETEREN AUTO

WHAT WE DO

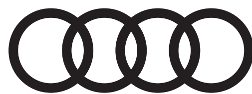
As part of its 70-year old relationship with the Volkswagen Group, D'Ieteren Auto imports and distributes the vehicles of Volkswagen, Audi, SEAT, Škoda, Bentley, Lamborghini, Bugatti and Porsche across Belgium, along with spare parts and accessories.

It is the country's number one vehicle distributor, with a market share of around 21% and 1.2 million vehicles on the road. D'Ieteren Auto manages a strong network of independent dealers across the country and corporately owns about 20 locations, mainly on the Brussels-Mechelen-Antwerp axis.

Besides distributing vehicles in Belgium, D'Ieteren Auto provides after sales services through its Corporate-owned operations. These include bodywork, maintenance and repair, glass repair and tyre replacement. It also sells used vehicles through My Way centres and My Way Authorized Distributors. In addition, D'Ieteren Auto provides car financing and long-term car rental services through a joint venture between D'Ieteren and Volkswagen Financial Services. Finally, it distributes the products of Yamaha in Belgium and the Grand Duchy of Luxembourg through D'Ieteren Sport.

D'Ieteren Auto's business model is currently evolving towards supporting citizens' social life through a more fluid, accessible and comfortable mobility. The company is bringing great focus on supporting responsible mobility, mainly through the initiatives of its recently launched subsidiary, Lab Box.

IMPROVING THE LIVES OF CITIZENS WITH FLUID, ACCESSIBLE AND COMFORTABLE MOBILITY



MESSAGE FROM

DENIS GORTEMAN

CEO OF D'IETEREN AUTO

Mobility is evolving, D'Ieteren Auto too.

2017 WAS MARKED BOTH BY OUR ONGOING EFFORTS TO STRENGTHEN OUR CORE BUSINESS AND BY OUR SEARCH FOR INNOVATIVE NEW MOBILITY SOLUTIONS.

In 2017 we focused on strengthening our business, because although VW remains the number one car brand in Belgium, with around 21.3%[1] of the market, we aim to gain even more ground. To achieve this, we have implemented several initiatives since 2014 designed to reinforce our dealership network.

The investments carried out on this network, particularly those in the Brussels region, are good examples of the reinforcement strategy pursued since 2014. They include the construction of a new state-of-the-art bodywork centre in Drogenbos, the anchoring of our position along the key Mechelen-Antwerp commercial axis, the roll-out of our network consolidation strategy and the setting up of solid partnerships with our main dealerships.

As part of our ongoing efforts to improve the customer experience, we have applied several levers – an example being the launch of a new CRM platform – with the aim of providing customers with the right information at the right time through the channel of their choice, thereby laying the groundwork for a positive relationship that is relevant to their needs.

We began drawing up a roadmap that responds to a new reality; that the image of an automobile brand is now also built around the range of electric vehicles and the quality of associated services on offer. To ensure that our commercial efforts are persuasive and therefore successful, we are developing a comprehensive mobility package that includes a recharging service for the home or the office.

In 2017 we began to explore our options in response to the sweeping changes occurring in the mobility sector. We have started to consider new mobility solutions including carpooling. We created a subsidiary, Lab Box, for this very purpose. It supports us in exploring, analysing and developing innovative mobility-related services. In January 2018, Lab Box launched Poppy, a car-sharing service for vehicles with low or zero emissions, based in Antwerp. Poppy could soon be rolled out in other towns and cities. Other initiatives are currently in development, with the accent on shared mobility and intermodality.

Mobility is evolving, D'Ieteren Auto too. Our vision for 2025 is to improve the lives of our citizens by providing mobility that is more fluid, more accessible and more comfortable. This opens a new chapter in the history of our Company and we will write it with passion and determination, in the same spirit as our predecessors who began building D'Ieteren 200 years ago. I am convinced that the talent and energy of our teams will breathe life into these ambitions.

1 In order to present a more accurate snapshot of the automobile market, Febiac, the Belgian Federation for the Automobile, Motorcycle and Bicycle Industries, publishes market statistics that exclude car registrations of less than 30 days.

Business environment

A solid performance in the face of new challenges

D'Ieteren Auto achieved market share of 21.3% in 2017, slightly down from 21.8% in 2016. The decline is primarily due to two factors: on the one hand, the upgrade to the VW Polo effectively took the model off the market for six weeks, and on the other, the VW Group's offer in the fast-growing SUV segment was narrower than that of competitors. Since end-2017, the range of SUVs in the brands we distribute – which includes the Audi Q2, Q3, Q5 and Q7, the Škoda Kodiaq, the VW Tiguan and the SEAT Ateca – has been expanded to include already-in-demand models like the SEAT Arona, the VW T-Roc and the Škoda Karoq. This should allow D'Ieteren Auto to benefit fully from the growth from the SUV segment.

In 2017, for the first time in twenty years, sales of petrol cars outstripped those of diesel vehicles. This trend was accompanied by higher sales of hybrid and electric vehicles. The Belgian law concerning the tax deduction for hybrid vehicles will only apply to one model (a Porsche) that we distribute. In terms of electric vehicles, at the end of 2018 the Audi e-tron, built in Brussels, should join the e-Golf and the e-up! unveiled by VW in August 2013 at the Frankfurt Car Show.

2017 was also marked by talks on the cash-for-car project in Belgium, which aims to offer employees in Belgium who are eligible for a company car a cash sum to finance their travel costs. But according to several surveys[2], few of those concerned are ready to give up their company cars for cash. The impact of this project on D'Ieteren Auto should therefore be very limited.

Concerning the aftermath of Dieselgate, 75% of models that were affected by the software were updated at end-2017, a similar percentage to that of Germany, where, unlike Belgium, a recall is obligatory.

Strategic approach

A strong image based on excellent service

The network optimisation project progresses

Our customers' mobility needs are increasingly evolving towards the use of pay-as-you-go vehicles, car-sharing and electric, CNG or hybrid cars, which require fewer components and consume less oil. These are among the elements that impact the traditional business model of a car dealership. They require a total overhaul of the distribution infrastructure. This is why, as we announced in 2014, D'Ieteren Auto embarked on a major restructuring of its Belgian distribution network in 2015.

D'Ieteren Auto's dealership network is now spread over 25 Market Areas across the country. Each Market Area distributes all brands under the VW Group umbrella and is specialised in other segments, like used vehicles with the My Way ensign or bodywork with Wondercar, and in new areas that are addressing the public's mobility needs.

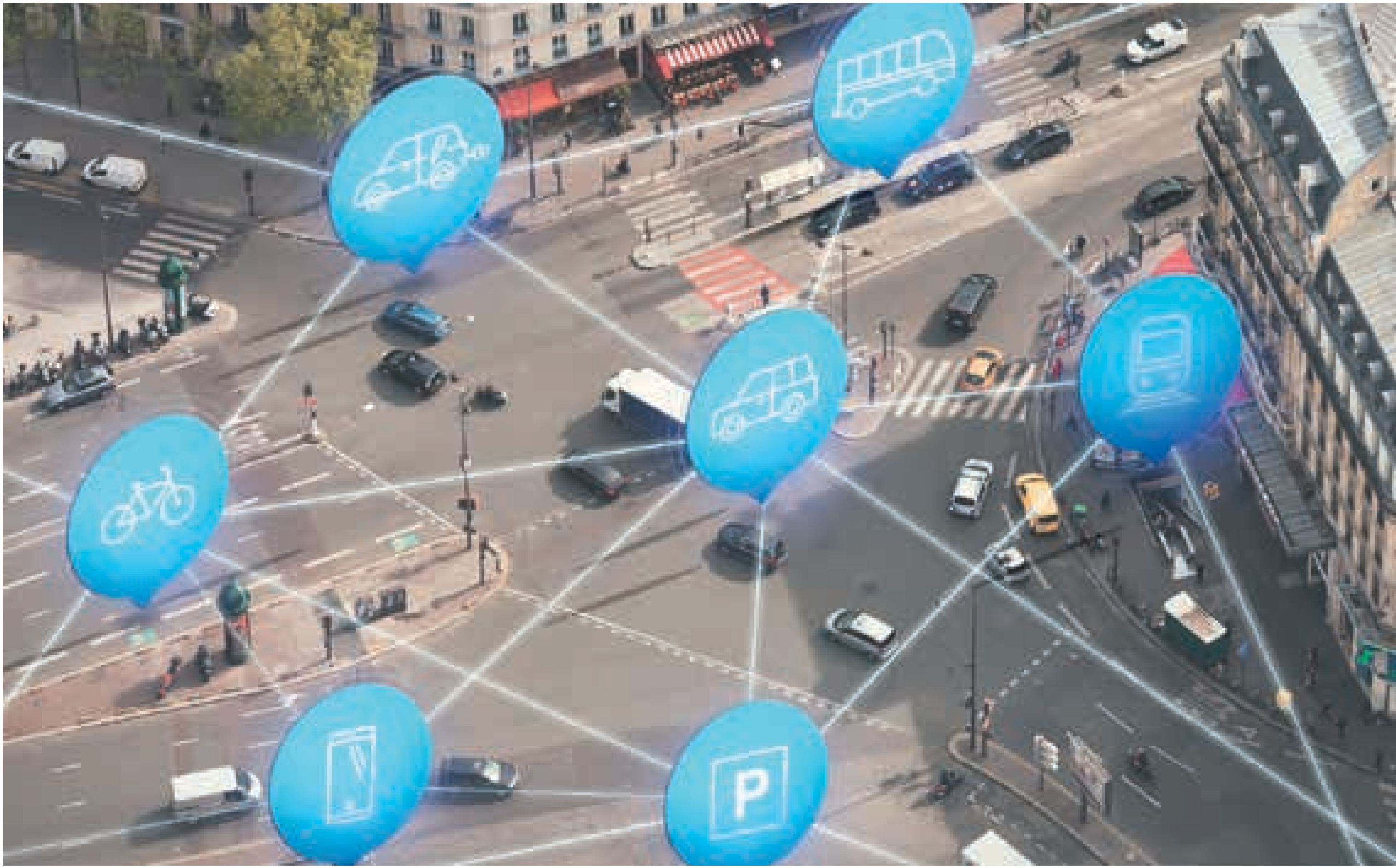
22 investors from the existing distribution network are by our side and are buying those dealerships that are best equipped to cover their particular areas and to provide the services demanded by the clientele.

At present, mergers and acquisitions are proceeding smoothly and the Market Area Leaders are 75%-consolidated and account for 67% of national volumes of VW Group cars sold. Most of the planned mergers should be completed by end-2018, with the remainder by mid-2019.

The Market Area Leaders will set up an organisational structure that meets the qualitative and quantitative criteria required. This implies enhancing the expertise of staff in the organisation, both across the network and in the network support services provided by D'Ieteren Auto.

The new multi-brand multi-services dealership, Auto Center Zaventem, launched end-2016 in the region of Brussels, illustrates the regional consolidation of selling points and service providers realised as part of the Market Area strategy.

2 According to a study carried out by the Belgian daily De Morgen on 12 January 2018, only 2 out of 10 people were prepared to give up their company cars in exchange for cash.



Through its multimodal Olympus offer, VDFIN enables employees who have a leasing contract to book a train, bus or metro ticket, or to rent a bicycle.

The Pole Position project, launched in 2014 to improve the operational performance of dealerships fully-owned by D'Ieteren Auto in the Brussels region, has also begun to bear fruits. The number of outlets has been reduced from 11 to 5 if we include sites under construction, a transformation that should allow all D'Ieteren Car Centres to post positive results from 2018. The Pole Position project is complemented by a strengthened retail presence on the Mechelen-Antwerp axis, as demonstrated by the recent acquisition of the Rietje dealerships.

This strategy means that dealerships fully-owned by D'Ieteren Auto represent from now on 20% of the total volume delivered to the end customer.

The transition to digital and the personalization of services

A new CRM platform has been developed in collaboration with the network, creating genuine value-added by ensuring that our offers are accurately targeted based on our customers' needs. This helps to improve the customer experience thanks to an approach that is increasingly based on digital and mobile platforms. It also helps us to provide better follow-up of our customers, be it at the sales or the after-sales stage, in new or used vehicles.

We are therefore now targeting our services more carefully in order to better meet the needs of our customers. For vehicle fleet managers for example, we have rolled out a multi-brand (VW Group) and multi-services strategy, which includes reporting and fleet maintenance. Centres for Light Commercial Vehicles have also been opened for professionals, enabling them to receive specialised advice and facilitating their choice of vehicle lay-out. MyWay and Wondercar franchises have been launched network-wide, providing customers with professional-level services for used vehicles and smart bodywork repairs.

Our financing services, which are increasingly popular with our customers both private and professional, have also been adapted to market trends. A good example is our multimodal Olympus offer for professional customers, offered since September 2017 by VDFIN (Volkswagen D'Ieteren Finance). Olympus Mobility is an application that enables the user, as an add-on to the leasing contract, to book a train, bus or metro ticket, or to rent a bicycle.

Several initiatives are currently in the testing and development phases, with a specific focus on intermodality and MaaS.

Valentin Haarscher, Investment Associate at Lab Box

Poppy is a green car-sharing service in the Antwerp region that is based on the « free-floating » principle. Poppy uses around 350 Volkswagen e-Golf and Audi A3 g-tron.

Building a comprehensive electric offer

On the electric vehicle front, we are progressively rolling out a strategy based on building an all-in service, including the management of recharging and energy storage infrastructure for the home – using e-Moby, which enables employees to be reimbursed for electricity consumed when off company premises – or the office. The electric vehicle offers announced by the Volkswagen Group – the Audi e-tron in 2018, the Porsche Mission E in 2019, and the ranges of electric cars from VW ID, Seat Leon and Škoda SLC from 2020 – should enable D'Ieteren Auto to gradually build a strong position on this fast-growing market. According to the estimates of the VW Group, electric vehicles should make up 25% of all new vehicle sales by 2025.

One ambition: to become the number one mobility player

At end-2016, D'Ieteren Auto created a unit called D'Ieteren Mobility with the aim of exploring and testing new mobility solutions, thereby enhancing its expertise in this crucial developing market. This unit has since become a subsidiary of D'Ieteren Auto and been renamed Lab Box. The new status provides it with more room to manoeuvre and the flexibility needed to find innovative solutions.

In January 2018, Lab Box officially launched Poppy, a green car-sharing service in the Antwerp region that is based on the 'free-floating' principle. Poppy uses around 350 Volkswagen e-Golfs and Audi A3 g-tron and the service might soon be introduced in other towns. In addition to the B2C offer, Poppy also plans to expand into the B2B segment with an alternative mobility solution for companies. Other initiatives are currently in the testing and development phases, with a specific focus on intermodality and Maas (Mobility as a Service) platforms.

VDFIN's e-moby service includes a cable for mobile recharging that can be plugged on a wall outlet. It sends employee energy consumption data straight to a company, enabling the latter to pay for the related expenses.

Ann-Chantal Craenen, Senior Customer Service Advisor at VDFIN

D'Ieteren Immo: 2017, a year of consolidation

Created at end-2016, D'Ieteren Immo brings together all of D'Ieteren's Belgian property interests under one roof. In 2017, the team worked on the processes, procedures and lease contracts that formed the basis of the new structure. D'Ieteren Immo also consolidated various property development projects linked to D'Ieteren's real estate assets. Some of these assets are being assessed with a view to improving D'Ieteren Auto's infrastructure. A shining example is the Zen Park in Drogenbos, near Brussels, where the Company's new multi-brand bodywork centre is being built. The remaining assets concern sites that are undergoing conversion. In addition to this real estate management role, D'Ieteren Immo provides property consultancy services to D'Ieteren Auto and other players located close to the Company's sites.

Building site of D'Ieteren's new multi-brand bodywork in Drogenbos, near Brussels.

Corporate commitments

To facilitate the transition towards the mobility of tomorrow

Although it acts as a vector of prosperity and integration, mobility also faces challenges related to economic, environmental, social and security-related issues. D'Ieteren Auto is aware of this and accepts its share of responsibility. To improve the social lives of citizens through fluid, accessible and comfortable mobility is its primary commitment, and the one that is closest to the spirit of the core business.

In order to ease the transition towards a system of intermodal mobility that meets the needs of modern society, D'Ieteren Auto is working to build a raft of mobility services that will enable citizens to travel easily and in comfort, but also at reasonable speed and cost. It does it through its Lab Box subsidiary that is heavily involved in creating innovative and flexible mobility services, but also through its core business by developing a range of services linked to the use of electric cars.

Reducing our environmental footprint

We believe it is possible to do business while simultaneously reducing the negative impact of that business. D'Ieteren Auto strives to reduce its environmental footprint by transforming its infrastructure and adapting its behaviour.

Over recent years, we have implemented various measures aimed at using energy more efficiently and integrating alternative energy sources. The latest investments concern the production of renewable energies. In 2017, we installed solar panels on three sites (Wommelgem, Auto Center Zaventem and Drogenbos). Thanks to these complementary installations and the excellent yields from cogeneration facilities on other sites, including our headquarters and the distribution centre, D'Ieteren Auto was 43% self-sufficient in energy by the end of 2017.

Favouring well-being and the personal development of our staff

In today's world, success depends more than ever on possessing the right skills in the right place at the right time. In order to find the optimum balance between the professional ambitions of our employees and the needs of the Company, the Human Resources department has developed the "CaReer Model". This tool maps out existing functions and clarifies the position of each one according to the activity and the role in question, thereby making it possible to determine the level of expertise required in a given job. The CaReer Model thereby provides a clear vision of the different options for career development in D'Ieteren Auto, be they in similar positions or in new areas. It enables an open exchange between employees and their managers about what skills have been mastered already and which ones still need to be learnt, and thereby helps to determine a personal development plan that enables each employee to grow within the organisation.

D'Ieteren Auto also places the training and qualifications of its staff and future recruits at the heart of its development plans. This is considered as the sine qua non for adapting to changes in the sector, to new technologies and the challenges of today's society. Working in the automobile industry is demanding and requires a range of advanced technical qualifications. The D'Ieteren Campus programme was therefore set up to strengthen the level of in-house expertise. In 2017, D'Ieteren Auto staff benefited from more than 39,600 hours of technical and/or behavioural training, equivalent to 3 days per employee.

Another major priority for the company is to offer a working environment that is safe and enriching, where well-being isn't just a slogan. In addition to its commitment to enhance the workplace, homeworking is also now being encouraged. A communication campaign christened "Ho.ffice, another way to be @ work" was developed in 2017 and launched in the Spring of 2018 as a way of clarifying the ideal homeworking conditions and facilitating access to as many employees as possible.

-

Every year, around 200 employees take part in voluntary activities to support projects that mean something to them.

Social responsibility, a value shared by all employees

Through its Give & Gain patronage programme, D'Ieteren Auto is fully committed to causes that are close to its businesses – where the Company can bring real added value – while simultaneously encouraging its employees to get involved.

Give & Gain can be broken down into three areas:

- *Voluntary activities :* these provide employees with the opportunity to dedicate a working day, as part of a team, to a charitable cause. Around 200 employees take part in the scheme every year to the benefit of around 15 non-profit organisations;
- *Project tenders :* the objective is to offer one-off financial assistance to non-profit bodies that are proposed by D'Ieteren staff who are looking to finance a project that addresses socially-responsible mobility;
- *Long-term programmes :* these are long-term investments in larger-scale social projects. They can be genuine motors of change and are closely linked with socially-responsible mobility. As part of these programmes, D'Ieteren Auto first plays the role of promoter before then setting up partnerships that will ensure the projects' longevity. Among these long-term programmes are road safety awareness courses in schools in deprived areas, in collaboration with the VIAS Institute. These sessions have reached more than 600 young people since their launch in 2015. Another long-term programme, License to Work, developed in partnership with the VDAB, TOTAL, Brusseleer and Tracé, consists of a social driving school that aims to help disadvantaged people in the process of integrating themselves into society to obtain their driving license so as to increase their chances of finding employment.

(More information on D'Ieteren Auto's corporate commitments is available in the Non-Financial Disclosure published on page 102 of the Financial and Directors' Report)

(EUR million)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
New vehicles delivered (in units)	119,967	99,241	117,951	136,199	120,157	112,877	111,667	114,978	122,489	**125,229**
External revenue	2,679.4	2,453.8	2,732.9	3,208.3	2,787.3	2,627.4	2,660.5	2,874.2	3,114.2	**3,299.7**
Adjusted operating result[1,2]	88.5	65.8	92.6	114.9	54.2	46.7	53.3	66.5	75.8	**85.9**
Adjusted operating margin	3.3%	2.7%	3.4%	3.6%	1.9%	1.8%	2.0%	2.3%	2.4%	**2.6**
***Adjusted* result, group's share**										
before tax[1,2,3]	60.6	42.9	64.9	92.7	52.5	47.1	52.5	74.5	84.2	**98.2**
after tax[1,2]	59.3	41.9	62.0	98.0	48.5	43.0	49.7	74.3	86.7	**68.7**
Average workforce *(average full time equivalents)*	1,650	1,565	1,584	1,685	1,587	1,601	1,606	1,580	1,610	**1,794**

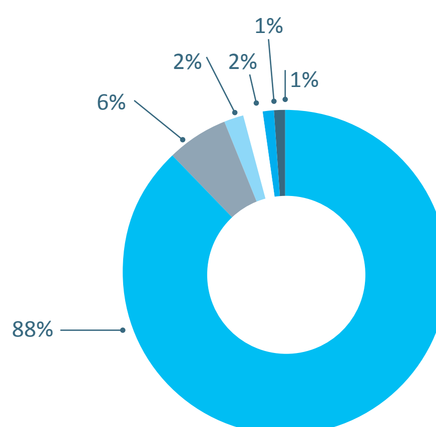
REVENUE AND *ADJUSTED* OPERATING RESULT (EUR million)

NEW CAR REGISTRATIONS IN BELGIUM AND MARKET SHARE OF D'IETEREN AUTO

REVENUE EVOLUTION BY ACTIVITY

(EUR million)	2016	2017	Change
New vehicles	**2,731.8**	**2,905.1**	+6.3%
Spare parts and accessories	**185.4**	**183.8**	-0.9%
D'Ieteren Car Centers (after-sales)	**83.3**	**82.3**	- 1.2%
Used vehicles	**53.9**	**66.3**	+23.0%
D'Ieteren Sport	**28.0**	**28.1**	+0.4%
Other	**31.8**	**34.1**	+7.2%
D'IETEREN AUTO	**3,114.2**	**3,299.7**	**+6.0%**

REVENUE BREAKDOWN BY ACTIVITY (2017)



1. Excluding *adjusting* items. *(APM - see glossary on page 52).*
2. The Automobile Distribution segment includes all costs related to the corporate activities.
3. Following the creation of Volkswagen D'Ieteren Finance, whose results are accounted for using the equity method (and therefore excluded from external sales and from *adjusted* operating result), and in order to reflect all the Group's activities, the *adjusted* result before tax, Group's share, includes from 2012 the Group's share in the *adjusted* result before tax of the entities accounted for using the equity method.

T-ROC

The T-Roc is an eye-catching, customisable, compact SUV that combines bold lines and practical features with the dynamic driving style of a sedan. The dual-colour paintwork, with its contrasting roof, gives a sporty feel, while the sculpted lines and original LED lights make it stand out in traffic. The T-Roc includes Volkswagen's most advanced driver assistance systems, including Front Assist, which features pedestrian monitoring and city emergency braking, as well as traffic sign recognition, Lane Assist and Adaptive Cruise Control.

AUDI E-TRON

Audi's first 100%-electric vehicle, the e-tron is positioned between the Audi Q5 and the Q7 in terms of size. Its main characteristics: a 100%-electric transmission, a charging capacity up to 150 kW in just under 30 minutes, remarkable aerodynamics and numerous innovative design features. This new model will be built by Audi Brussels. (The photo shows the Audi e-tron concept)

SEAT ARONA

The Arona joins the Ateca in SEAT's expanding range of SUVs. This is the brand's second car based on the MQB A0 platform and its first in the compact crossover segment. The Arona features remarkable height and width, numerous customisation options and cutting-edge technology in terms of safety and connectivity.

ŠKODA KAROQ

The dynamic design of the KAROQ integrates numerous elements that reflect the new stylistic language of ŠKODA's SUV range. The KAROQ is pure ŠKODA, offering generous space, new driving assistance systems, Full LED lighting, and starting in mid-2018, for the first time in a ŠKODA car, a raft of digital instruments. The ŠKODA KAROQ is an SUV packed with character.

NEW CONTINENTAL GT

Designed and built in England, the third generation of the Bentley Continental GT blends dynamism and power with hand-crafted luxury and state-of-the-art technology to create the most sumptuous Grand Tourer ever produced.

Under the hood is a W12 TSI twin-turbocharged 6-litre engine with an 8-speed dual-clutch transmission that delivers 635 HP and 900 Nm of torque.

URUS

The Lamborghini Urus is an SUV combining luxury with sports car performance that can be enjoyed by both driver and passengers. The Urus has a twin-turbo 4-litre V8 engine generating 650 HP. Acceleration is 0 to 100 km/h in 3.6 seconds to a top speed of 305 km/h, making it the fastest SUV on the market.

NEW CAYENNE

5 doors, and as many possibilities for adventure. Advanced connectivity puts the world at the driver's fingertips from the cockpit, the interior blends elegance and daring, a new design puts the accent on sport and the improved engine includes increased autonomy for the hybrid version. The new Cayenne offers exceptional comfort to driver and passengers alike.

NIKEN

Featuring the unique Leaning Multi Wheel technology, this radical and versatile new 3-wheel motorcycle looks, rides and feels like nothing else. Twisting roads are its natural playground. And with dual leaning front wheels giving you enhanced feelings of grip, the NIKEN can corner carve with total confidence. Its torque rich 847cc, 3-cylinder engine and lightweight hybrid chassis ensure thrilling sports performance and long distance comfort.

WHAT WE DO

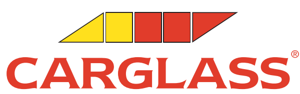
Belron makes a difference by **solving people's problems with real care**. It is the worldwide leader in vehicle glass repair and replacement with **more than ten major brands** – including Carglass®, Safelite® AutoGlass and Autoglass®. Building on its existing capability and expertise, Belron **is expanding its services** to focus on solving problems for people who need assistance with repairs to their vehicles and their home. In 2017, Belron acquired several businesses carrying out Auto Damage Repair and Replacement (ADRR) and Home Damage Repair and Replacement (HDRR). In addition, it manages vehicle glass and other insurance claims on behalf of insurance customers.

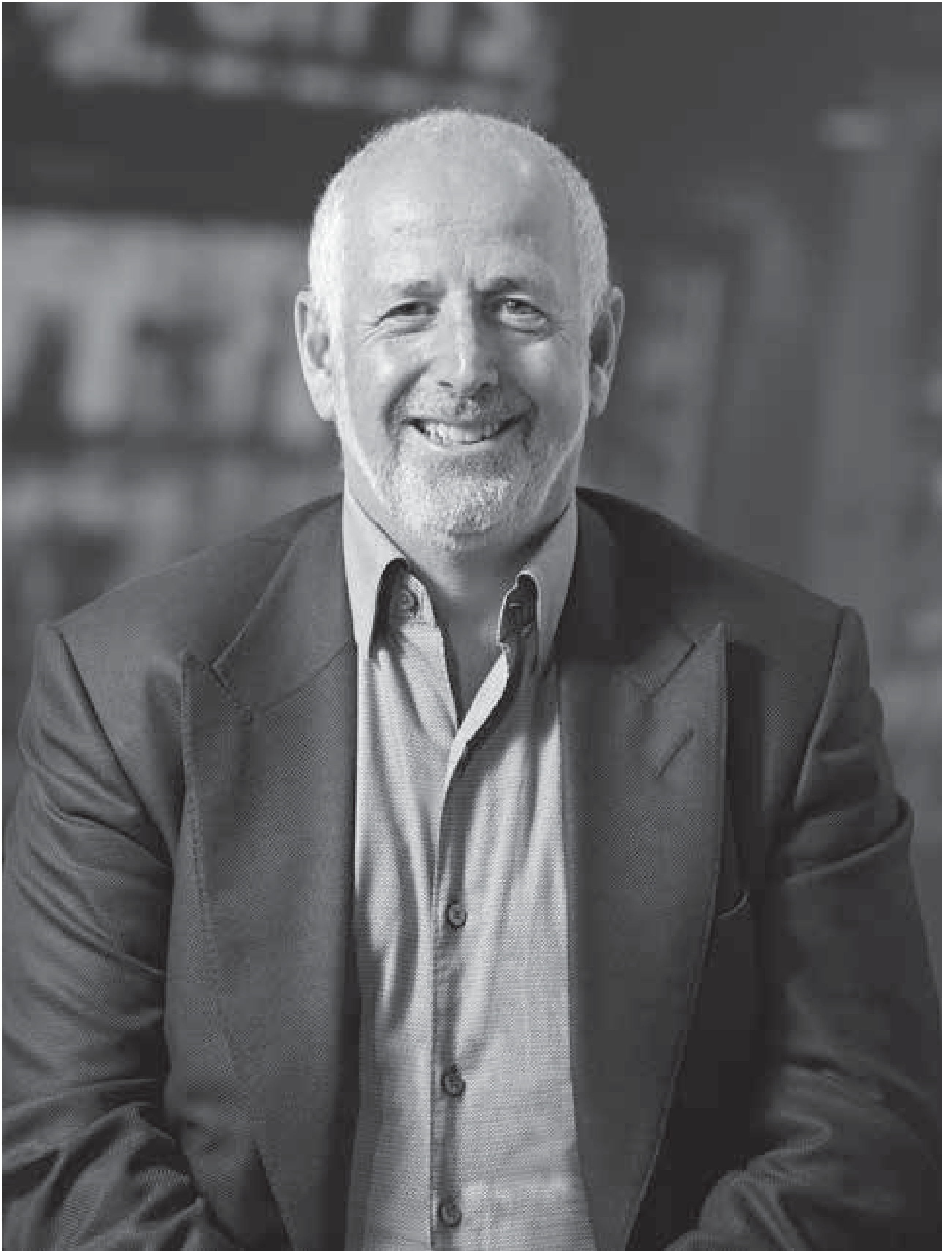
In 2017 Belron served 16.5 million consumers in 34 countries on six continents with a focus on **service quality** generating a very high level of customer satisfaction.

	2016	2017
Consumers (in millions)	15.4	**16.5**
NPS[1]	82.6%	**83.1%**

1 Net Promoter Score

SOLVING PEOPLE'S PROBLEMS WITH REAL CARE





MESSAGE FROM

GARY LUBNER

BELRON'S CEO

I look back now on what we've achieved and feel grateful and proud of the exceptional people who make Belron such a special organisation. It was truly an extraordinary year!

Most years are unusual or notable in some way for Belron, but it has been a while since we have had one as extraordinary as 2017. We began the year with a clear purpose - to make a difference to our customers, our people, our shareholders and our communities. We had plans to continue to expand our existing Vehicle Glass Repair and Replacement (VGRR) businesses. We also aimed to expand into other distressed consumer services, notably automotive and home damage. On top of this, our major shareholder decided to introduce a new investor to the business.

I look back now on what we've achieved and feel grateful and proud of the exceptional people who make Belron such a special organisation. Let me start with D'Ieteren's project to find a new minority shareholder in Belron. This involved an immense amount of work across the entire organisation, either preparing long-range plans, refinancing the business, presenting to and meeting investors, and undergoing due diligence. I am delighted with the outcome of this hard work and that Clayton, Dublier & Rice has chosen to become a Belron shareholder. I am now really looking forward to working with both D'Ieteren and Clayton, Dublier & Rice to write the next chapter in Belron's history.

We made great strides in extending our services in 2017. We entered the Automotive Damage Repair and Replacement (ADRR) market in five countries, either by offering a solution for minor accident damage or for the whole spectrum of vehicle damage. We served 132,000 ADRR customers in 2017 compared to 55,000 in 2016, a 72% increase. We also entered the home damage market through the acquisition of Maisoning in France in December and entered into an agreement to acquire the assets and operations of Laser, a franchise group providing electrical and plumbing services in Australia and New Zealand.

It turned out to be another successful year for our existing VGRR businesses. We served a record number of consumers and delivered record service levels. We continued to work closely with our insurance, fleet, and lease clients, particularly in the USA, where we expanded our Safelite® Solutions claims management service offering into non-glass First Notice of Loss (FNOL) claims for several key account partners. We also introduced a monthly check-up to measure and boost staff engagement. And we delivered solid results for our shareholders and offered more support than ever before to our communities through our Giving Back programme.

It was truly an extraordinary year!

In 2018 we will continue to focus on our purpose to 'Make a difference by solving people's problems with real care'. We expect VGRR markets to continue to grow in value while declining in volumes, a trend that has now been visible for several years. In this environment, we will remain focused on delivering an outstanding service to our customers and real value to our insurance, fleet and lease partners, thereby continuing to gain market share. We will also continue to improve the efficiency and effectiveness of our operations through a multitude of different initiatives across the globe. This can only be achieved with employees who offer 100% commitment and we will take the lessons learnt from our new feedback tool to make Belron the best place they will ever work.

Our plans to extend services contain no significant new acquisitions. Instead, we will focus on the businesses we have already acquired and the projects we initiated this year, with the aim of proving our ability to disrupt the automotive and home repair markets. This will be an exciting journey as we experiment with innovative new approaches. We will also share the lessons learnt across the Group, as we do in VGRR, in order to leverage the best practices that we identify and create.

Finally, we will work closely with our existing and new shareholders to leverage the contribution they can make to the development of the business. I am really looking forward to another exciting year for the business.

Belron's strategic framework

A review of 2017 - an extraordinary year

In 2017, Belron continued to focus on its stated purpose to 'Make a difference by solving people's problems with real care', an objective that targets its customers, people, shareholders and the communities in which it operates. Belron's strategy includes plans to further increase the market share of its existing VGRR business and to continue expanding into new services alongside VGRR. In order to make these outcomes possible, it has defined several priorities: to ensure that Belron becomes the natural choice by building exceptional brands; to ensure its ability to build outstanding key account partnerships; to maintain its focus on being people and customer driven through a nationally-led, globally-supported operating model; and to maintain its strong commitment to leadership and corporate culture – the core values that define the Spirit of Belron. Belron's performance in each of these areas is outlined in the relevant sections below.

Vehicle glass repair and replacement

In 2017, VGRR markets declined in volume by circa 1-2% in most major markets, with the USA proving particularly volatile. This was due to a mild winter in the north-eastern states and extreme wet weather on the west coast, followed by hurricanes and forest fires later in the year. Against this challenging market backdrop, the VGRR business served 12.4 million customers worldwide; a record high. It also achieved a record service level, with an overall worldwide NPS of 83.1% for the year. This generated total VGRR sales of EUR 3.4 billion.

In most countries, Belron gained share through more efficient marketing investment and media presence and close relationships with its insurance, fleet and lease partners. A highlight of the year was the progress made on providing a convenient and cost-effective solution for the calibration of Advanced Driver Assistance Systems (ADAS) (see box on page 33).

SECURING MOTORIST SAFETY WITH A MARKET-LEADING APPROACH TO ADAS

Belron completed 165,000 calibrations in 2017, an increase of 142% on 2016. It experienced a greater than 50% increase in the number of vehicles requiring windscreen-mounted calibrations, thereby confirming market growth estimates.

“Belron is a partner that is very conscious of this evolution and invests very much in that kind of technology… which is very important to us.”- ***Insurance Partner, Belgium***

“They’re one of the only providers I can trust to just get out there and deliver.” - ***Insurance Partner, UK***

The Vehicle Glass Repair and Replacement (VGRR) Business served 12.4 million customers worldwide in 2017, a record high.

New services

In its 2015 strategic review and in line with its stated business purpose, Belron assessed potential new services, based on criteria such as size, scalability, the ability to disrupt the existing market, and how to ensure the best use of its capabilities. The resulting expansion began with the acquisition of a collision repair franchise network in Canada in December 2016. Further acquisitions in 2017 included the leading multi-brand ADRR business in Belgium, which has been branded Carglass® Carroserie, the Eurocar ADRR network in Italy, and the Maisoning home damage service business in France. At the end of the year, Belron signed an agreement to acquire Laser, a plumbing and electrical services franchise in Australia and New Zealand.

Belron chose Auto and Home Damage Repair and Replacement because its winning VGRR formula can be applied in those two very large markets. This includes offering a quality service to large fragmented markets and building on the existing brands and relationships with insurers.

In addition to acquiring new service businesses, Belron continued to develop its minor automotive accident damage business in the United Kingdom, rebranded Autoglass® Body Repair mid-year, and established similar operations in the Netherlands. Small-scale minor accident damage trials were also undertaken in Germany and Italy. The service levels achieved in the minor accident damage marketing test in the Netherlands were excellent, with an NPS of 76%. The focus in 2018 will be on proving a winning formula for ADRR and HDRR, leveraging Belron's expertise in marketing, sales and operations.

"We will focus on projects we initiated this year, with the aim of proving our ability to disrupt the automotive and home repair markets." Gary Lubner, CEO

MAISONING - EXPANDING BELRON SERVICES INTO THE HOME REPAIR MARKET

In 2017, Belron acquired this French home damage service business. Maisoning is an integrated network providing home repair services to individuals, insurance and property management companies. It has 400 employees, serves approximately 120,000 customers each year, and generated over EUR 40 million of sales in 2016.

Eric Girard, General Manager of Carglass® France: "This acquisition fits perfectly with our purpose. It is exciting to be able to capitalise on our expertise, the excellence of our service and our experience to turn Maisoning into the market leader in home repair. Our ambition is to make Maisoning the 'Carglass® of the home'".

Customer Driven

There were significant improvements in VGRR's operational performance in 2017, with records in number of consumers served, Net Promoter Score and Total Net Conversion. In the USA, a focus on technician retention has enabled a sharp reduction in staff turnover with consequent improvements in quality. Increasing the ability of its businesses to re-calibrate ADAS vehicles has been a highlight, requiring technician training, investment in technology and close partnerships with two global ADAS suppliers. At the same time, Belron has increased its focus on selling additional products or services to customers and measured an increase of over 20% in the volume of value-added complementary products sold, notably in France where 100,000 more wipers were sold. Belron's efforts to obtain a better insight into customer behaviour have confirmed that offering these products and services increases customer satisfaction, proving this initiative is fully aligned with its purpose.

Belron's supply chain reached an exciting milestone in 2017, with construction starting on its new European Distribution Centre in Belgium. The existing facility is no longer able to manage the volume of products passing through it given both the growth of Belron's share in Europe, and the higher number of countries served by the European Distribution Centre. In purchasing, new records have been achieved with two of its largest glass suppliers for supply performance in both quality and product availability.

Belron has pursued its work in IT & Digital to support the increasing demand among its customers, employees and partners for digital solutions for their vehicle glass, auto repair and First Notice of Loss (FNOL) problems in the USA. Significant IT changes include the implementation of a new Enterprise Resource Planning tool in Australia, which is also in its first phase in Belgium, and new branch and customer procedures in Germany.

In 2017, Belron worked with IBM Watson to create and put into operation an automated image recognition tool that can provide an instant quotation to customers who send photos of their damaged cars. This use of Artificial Intelligence holds great promise for the creation of a disruptive customer experience in home and auto repair services.

To further encourage digital innovation across the business, the 'Drive' start-up accelerator had a successful second year, with increases in the number of start-ups applying and progress made in the 10-week programme. Belron continues to work with four out of the five start-ups involved.

The Company nurtures its strong culture – the Spirit of Belron – around four core values: Care, Driven, Collaborative and Genuine. The Genuine attribute encompasses the Company's core ethical principles of Integrity, Respect and Trust.

Belron continued to build its brands through innovative traditional and digital marketing activities. A highlight in the USA showed top-of-mind awareness of the Safelite® Autoglass brand hitting the 40% mark for the first time. New marketing content was tested and rolled out in the traditional media space, including raising awareness of ADAS calibration among motorists in a number of countries. Belron also significantly improved its analysis of media effectiveness, which has enabled it to measure the return on marketing campaigns more accurately than ever. In the digital space, Belron's partnership with Google reinforced its ability to measure share development, whilst other digital initiatives enhanced its online visibility among customers with VGRR damage.

As highlighted above, Belron also launched its first ever ADRR advertising campaign on SMART Repair in the Netherlands. This demonstrated both the credibility of the Carglass® brand in ADRR, and the ability to persuade SMART repair customers to repair their damaged vehicles. Over 10,000 enquiries were generated by the two-week campaign.

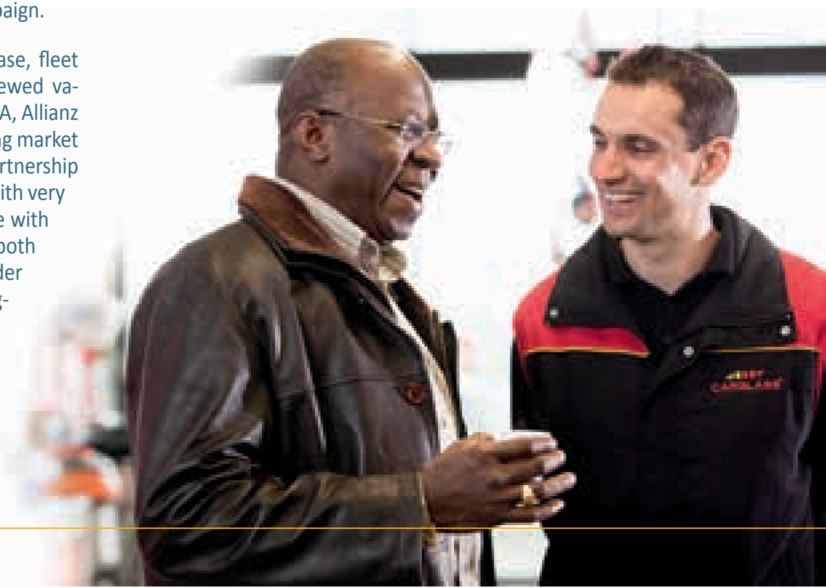
Belron again reinforced its trust capital in the insurance, lease, fleet and rental activities with key account partners. Belron renewed valuable agreements with three of its largest global partners, AXA, Allianz and Aviva, and achieved strong growth compared to underlying market conditions with these key accounts. It also created a new partnership with EURAPCO - a large group of European mutual insurers - with very encouraging growth in both relationship and business volume with EURAPCO members. In the USA, new account wins continued both in VGRR and in FNOL; the USA ended 2017 serving just under 10 million consumers. In 2018, Belron aims to further strengthen partnerships with an ongoing focus on using digital technology to improve the customer experience whilst also reducing costs.

Corporate Commitments

People Driven

A new tool to measure employee engagement and obtain feedback was implemented across the Group on a monthly basis in 2017, following various pilot schemes in 2016. The tool provides useful insight into ways to improve engagement in all areas. Several businesses were recognised in national Best Place to Work competitions, with Carglass® Norway, Carglass® Belgium and Belron International achieving top 10 positions in their countries.

Extensive training was provided in ADAS calibration together with ongoing training and development in all functional areas to enhance capability. Several countries held their national Best of Belron competition,



A high level of customer satisfaction is crucial to making Belron the leading company in its industry and beyond.

recognising the exceptional work of technicians, in readiness for the global Best of Belron competition in 2018 in Germany. Belron also launched its first ever Belron Exceptional People Awards to recognise outstanding long-term contributions to the business.

Leadership and Corporate Culture

Belron continued to support the professional growth of its leaders with a focus in 2017 on purposeful leadership and how leaders react to challenging situations. This is particularly important at present given the changes underway within the business. Belron also continued to measure and improve the performance of its leaders through its Executive Winning Behaviour (EWB) and Leadership Styles and Climate tools, achieving a record level for its Leadership/EWB Index.

Belron remains a signatory of the United Nations Global Compact. The Ten Principles cover the areas of human rights, labour practices, anti-corruption and the environment. They support the commitments set out in the Belron Code of Ethics 'Our Way of Working' and help to reinforce the Spirit of Belron.

The Ecovadis sustainability measurement tool remains an effective way to assess the progress made in embedding these commitments across the Group. During the last 12 months, 10 Belron businesses were rated Gold Standard and 12 businesses, Silver. These achievements recognise the constant focus on ensuring that Belron remains a sustainable business. Belron is currently in the top 10% of businesses rated by Ecovadis.

CATCHING THE DAYLIGHT

A mirrored, technology based system, the Lightcatcher, searches for the optimum light spot without using up any energy. Carglass® will be installing over 420 Lightcatchers in its new warehouse in Bilzen, Belgium. This means that electric lights can be turned off for an average of ten hours per day, resulting 472,000 kWh electricity saving each year.

Afrika Tikkun is a charity investing in education, health and social services for children, young people and their families, through its many programmes and Community Centres of Excellence, helping to break the cycle of poverty. The charity supports over 19,000 people annually in townships near Johannesburg and Cape Town and employs over 600 staff from the local communities.

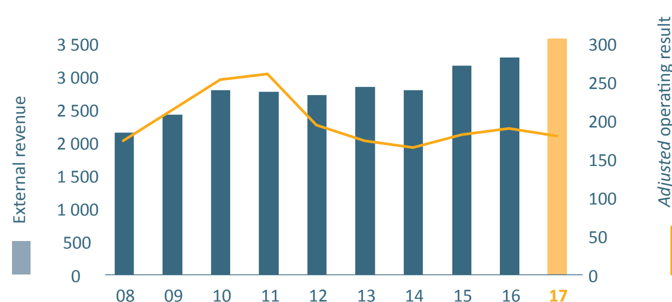
Spirit of Belron challenge 2017

The Belron businesses also continued to support their local communities, thereby benefiting over 250 worthy causes. The international Spirit of Belron Challenge in September was another huge success, with over 1,600 people from 26 countries participating in various challenges including a 5km running race, triathlons, a duathlon, a team-relay marathon, and a half marathon. The event raised an incredible EUR 1.2 million for the Belron global charity Afrika Tikkun, the highest amount raised in the event's 16-year history. This money will have a huge impact on the charity's work and projects in South Africa.

More details about Belron's corporate commitments are available in the Non-Financial Disclosure published on p. 102 of the Financial and Directors' Report.

(EUR million)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
External revenue	2,156.1	2,423.2	2,800.9	2,769.0	2,727.2	2,843.1	2,792.6	3,161.2	3,305.4	3,486.2
Adjusted operating result[1]	173.9	215.5	255.6	262.3	196.0	173.5	165.1	182.0	190.7	189.2
Adjusted operating margin[1]	8.1%	8.9%	9.1%	9.5%	7.2%	6.1%	5.9%	5.8%	5.8%	5.4%
Adjusted result, group's share										
before tax[1]	108.6	150.4	211.3	213.1	147.7	130.5	123.4	137.6	148.4	134.5
after tax[1]	86.7	126.1	155.5	162.3	110.9	93.1	94.3	112.2	122.6	116.0
Average workforce *(average full time equivalents)*	20,833	22,399	24,790	25,199	24,200	25,645	25,204	26,390	26,340	28,994

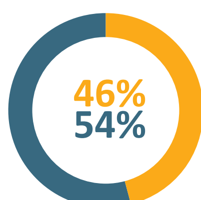
REVENUE AND *ADJUSTED* OPERATING RESULT[1] (EUR million)



REVENUE BREAKDOWN BY REGION

3,486.2

EUR million in 2017



EUR million	2016	2017	Change
EUROPE	1,482.4	1,598.3	+7.8 %
REST OF THE WORLD	1,823.0	1,887.9	+3.6 %
Total	**3,305.4**	**3,486.2**	**+5.5 %**

Consumers (million)	2016	2017	% Change
Vehicle Glass Repair and Replacement (VGRR)	11.8	12.4	+5%
Claims Management	3.5	4.0	+12%
Automotive Damage Repair and Replacement (ADRR)	0.1	0.1	+72%
Home Damage Repair and Replacement (HDRR)	0.1	0.1	-4%
Total	**15.4**	**16.5**	**+7%**

1 Excluding *adjusting* items (APM - see glossary on page 52).

WHAT WE DO

Moleskine is an aspirational, global brand, synonymous with the **lifestyle-of-the-creative-class**, with **core values** rooted in culture, travel, memory, creativity and personal identity. **A symbol of contemporary nomadism**, Moleskine connects with contemporary creativity and is present across a network of websites, blogs, online groups and virtual archives, not least within the brand's own online community, myMoleskine, which has circa 140.000 members. The company sells its products through a **multichannel distribution platform** in more than **115 countries**. The **product portfolio** is also evolving rapidly beyond paper-based product categories (notebooks, diaries and journals) to encompass bags, writing instruments, reading accessories and hybrid products such as the Smart Writing System, which can migrate content from paper to digital devices and vice versa. In 2016 the company also launched its first **Moleskine Café** in Milan. This innovative format provides a contemporary take on the "Café Littéraire" concept, adding Moleskine brand values and products to a unique café experience. In December 2017, a second Moleskine Café was opened in Beijing.

MESSAGE FROM THE CHAIRMAN ARRIGO BERNI

In 2017, I announced that I would be stepping down from day-to-day operations as Chief Executive Officer. I have been honoured to be CEO of this outstanding company, a unique brand with an enormous potential yet to be expressed. I am sure that, under the leadership of Lorenzo, with whom I have worked closely over the last nine years, Moleskine will continue on its profitable growth path. Finally, I want to express my deep appreciation to all of our employees who are responsible for everything we have accomplished over the past 11 years and I look forward to contributing further to the success of Moleskine as the non-executive Chairman of the Board.

MESSAGE FROM

Lorenzo Viglione

CEO OF MOLESKINE

Our vision statement is to become a global multi-category, multi-channel brand, contributing to the development and sharing of human knowledge and culture.

I strongly believe that, in order for any organization to be successful and to achieve its objectives, you need a clear purpose supported by a mission and core values. Our vision statement is to become "a **global multi-category, multi-channel brand**, contributing to the development and sharing of **human knowledge** and culture."

Our mission statement, which describes how we will achieve this vision, states: "Moleskine develops, markets and sells products and services that provide **open platforms to create, communicate and share**. Moleskine is **dedicated to supporting its users** in expanding **knowledge, creativity** and **individual expression**".

And having been involved with Moleskine for the last nine years in different roles, from consultancy at the beginning to operations and sales, I can testify that the Moleskine organisation is fully committed to this vision. In fact, it is this commitment and the energy that Moleskine employees invest in our brand that persuaded me to join the company in 2013, having led several projects as a consultant over the previous years.

Through our products and services, we aim to establish an emotional connection with our customers. Our ultimate goal is to inspire our public through our open platforms. We see this as the best possible way to gain long-term customer loyalty.

Looking back at 2017, I am pleased with our overall performance, especially if we consider that **2017** was a **transition** year for several reasons. First of all, it was a year of investment for the longer term. Supported by our **new shareholder**, we were able to make **strategic long-term investments** in several areas of the company. We invested in people, adding skills in strategic functions and developing our local presence. We invested in Information Technology, thereby laying down more solid foundations for our business. We strengthened our commitment to corporate social responsibility by supporting the launch of the Moleskine Foundation, a non-profit organisation which believes that high-quality education is crucial to producing positive change in society.

It was also a year in which, in the USA, our biggest market, we faced a more difficult retail environment, mainly reflecting declining foot traffic in some brick-and-mortar retailers. We also made changes to the leadership team in the USA in 2017. We have now adjusted to these changes and I am confident that in 2018 we will benefit from a much stronger platform, with North America and Western Europe being the biggest contributors to the sustainable growth of our business worldwide.

In 2017 we pursued our ambition to build a multi-channel business model based on a combination of physical stores and a strengthened online presence, working to optimize our ability to support sales by creating multiple paths to the customer.

We continued to develop the Wholesale channel through closer relationships with our key retailers and to cooperate with organisations globally through our B2B operations. Our directly-operated physical stores retained their strategic importance and our multi-channel strategy should make them an even stronger asset. Finally, with online sales becoming increasingly important to each business, we invested in a new platform in 2017 to improve the shopping experience on our website, particularly in relation to the growing importance of mobile devices.

2017 was also a year in which we laid the foundations for a truly multinational company by strengthening our local presence across the main geographies. This process is underpinned by my strong belief in how the entrepreneurship of local management and their decision-making capacity can improve our responsiveness in local markets. In parallel, as a global brand, we worked on building a more synchronized and integrated strategic approach across all geographies.

Finally, I would like to reiterate that I am honoured to lead Moleskine into its next phase of growth. It is a great brand that has huge potential. I truly believe that, by following our five-year strategy roadmap and working together as a team, we will fulfil our ambition of achieving double-digit growth in the years to come.

Strategic approach

Building a multi-channel platform

The Company grew consolidated revenues by 8.5% vs 2016 at constant exchange rates, leveraging a multi-channel distribution platform and building on its brand strength to attract global consumers through multiple points of contact. The connection with customers forms the foundation for sustainable long-term growth. This is why the Company strengthened its distribution capabilities across all channels.

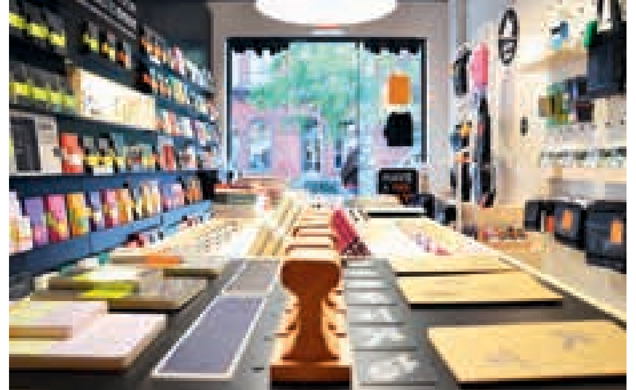
- In **Wholesale** (+7.0% vs 2016), the Company continued to develop direct relationships with key retailers to strengthen brand experience at their stores through ad-hoc visual merchandising projects. It also opened up new specialized distribution channels for non-paper products such as bags and other accessories connected with urban mobility.

- **B2B** (+ 9.9% vs 2016) continued to grow, leveraging a well-defined distribution model and a brand-driven sales force. An excellent driver of brand awareness, B2B is becoming increasingly relevant to the business, driven by the development of major projects with global corporations (e.g. Huawei) amongst other things;

- Direct **Retail** (+16.6% vs 2016) was confirmed as a strategic channel, instrumental to increasing customer proximity and awareness. The optimization of the existing network became a priority, with the launch of several initiatives aimed at strengthening store operations and enriching the consumer experience;

- **Ecommerce** (-3.7% vs 2016) was marked by the migration to a new platform that is integrated to the corporate website, aimed at delivering an improved brand and shopping experience, especially on increasingly important mobile devices;

- The **Moleskine Café**, launched in July 2016, confirmed its status as an innovative format that exposes consumers to the brand and to the creative content it generates, either directly or through its community of passionate followers. To build on this success, a second Café was unveiled in Beijing in December 2017 and further expansion plans and developments are under assessment.



Direct retail remains a strategic channel (Moleskine store, Soho, New York)

Moleskine Café, a platform for the story-telling

A new online shopping experience

Expanding product and services portfolio

In 2017, Moleskine registered healthy growth in both paper (81% of total sales) and non-paper (19% of total sales) collections, mainly driven by bags category where the Company is steadily building a reputation, also testified by its presence at international sector fairs (i.e. Pitti Uomo). Within the paper collection, the Company continued to affirm its premium positioning thanks to the success of the Limited Edition collections (e.g. the Rolling Stones). Finally, in the M+ category, which aims to bridge the analog-digital gap experienced in our everyday lives, the Company launched its new 'Ellipse' smart Pen, designed to be used in conjunction with the **Smart Notebooks** and Planners to combine the natural immediacy of writing on the pages of a notebook with all the advantages of borderless digital creativity. **The Smart Writing** ecosystem (**Paper Tablet** notebook, **Smart Pen+** and Moleskine Notes companion app) targets today's digitally-connected professionals, knowledge workers and students, who prefer to create their plans and develop their ideas on paper first, without abandoning the convenience of digital technology.

Expanding the bag collection

In 2017, Moleskine made a significant step forward by expanding into non-paper products, in particular bags. This substantial progress was underlined by the Company's presence in 2017 at Pitti Uomo, one of the world's most important platforms for men's clothing and accessories, a clear indication of the brand's growing standing and legitimacy beyond paper-based products. On this occasion, Moleskine previewed the new Nomad bag collection, due for launch in 2018, and a capsule collection of Classic bags created by designer Giulio Iacchetti and decorated by New York street artist Bradley Theodore.

New York street artist Bradley Theodore

Strengthening our foundations to pursue growth

In 2017 the Company continued to recruit. At 31 December 2017, Moleskine had 468 FTEs, (+67 vs 2016). In particular, 2017 was marked by the strengthening of regional operations, in a bid to find the most effective balance between centralized and local functions, as local knowledge and execution are deemed as crucial to developing the brand's competitive edge in each market.

Recruitment efforts were consistent with the parallel decision to invest in the systems and processes required to secure sustainable growth. SAP software was implemented across all Group companies from January 1st and a Business Intelligence project was launched, to be implemented in 2018.

Finally, in line with the Company's customer-centric culture, it was decided to invest in CRM software, with implementation planned for 2018.

Corporate commitments

Moleskine's core values: talent, exploration, authenticity

Moleskine's core values – Talent + Exploration + Authenticity = Moleskine – are promoted internally through the Company's in-house assessment and development programme, which fosters proactivity, flexibility, creativity and innovation in the workplace.

Moleskine further consolidates its commitment to these values through a series of external initiatives aimed at encouraging talent and innovation:

Moleskine Open Innovation Program

Fueling talent, ideas and passion.

The 2017 Moleskine Open Innovation Program was a call for innovative ideas to add to the growing Moleskine+ ecosystem of smart objects and services. The project invited talented start-ups and scale-ups to submit concepts, projects and proposals in return for the chance to work closely with Moleskine – sharing expertise, building know-how and turning inspiring ideas into business reality.

The 12 most successful applicants were invited from all over the world to the Moleskine headquarters in Milan to present their projects. Three finalists were selected to work with a group of mentors, facilitators and entrepreneurs from Moleskine and the business incubator Digital Magics as part of a 6-month incubator programme to bring their proposals to life and to market.

Creativity Hub

Building a stronger emotional connection with our community.

The Moleskine Creativity Hub aims to generate content, engage our community and promote innovative, cutting-edge research within and across disciplines. Its ultimate objective is to establish Moleskine as an authentic and original thought leader, with a broader target of promoting the expansion and dissemination of culture and knowledge.

The Moleskine community – including students, writers, designers, thinkers and business innovators – creates unique, original content expressed through various platforms and spaces including the Moleskine Café and the Company's own Fold magazine.

The Creativity Hub touches the areas where the brand can express its core values and narratives, while enhancing its role in the fields of creative thinking, productivity and innovation.

Moleskine's Smart Writing ecosystem enables users to develop their ideas on the paper without abandoning the convenience of digital technology.

Cultural events at Moleskine Café

Your daily fix of inspiration.

Moleskine Cafés invite local communities to take part in the creative process through year-round programmes of cultural events, talks, breakfast learning sessions and exhibitions. The Moleskine Café is a contemporary reinterpretation of the café littéraire: part café, part art gallery, part store and part library. In short, Moleskine Cafés enrich the lives of their visitors through coffee, culture and conversation.

Piano Milano City 2017 at Moleskine Café

Fold magazine by Moleskine

A journey into the creative process.

Fold magazine by Moleskine is a platform for exploring the creative process and showcasing work from established authors and young talents across the world. Fold aims to inspire by exploring inspiration itself. Launched in 2017, its pages give space to contemporary talent from a variety of fields, using stories, galleries, guides, portfolios, interviews and reporting.

www.foldmagazine.com/about

FOLD
MOLESKINE

Catherine Wood: Unfolding the Creative Process

In this Fold article, Tate Modern's Senior Curator addresses brainstorming exhibitions and finding new talents.

Reading time 6 minutes

WikiAfrica Schools, African School for Excellence, Johannesburg, an initiative supported by the Moleskine Foundation, © Siphosihle Mkhwanazi

Moleskine Foundation

Quality education is the key to driving our collective future

The Moleskine Foundation is a non-profit organisation that grew out of lettera27, an unconventional cultural incubator created in 2006 to promote literacy and education, particularly in Africa. The Foundation took lettera27's heritage of people, values and projects and brought it to a wider scale. The Moleskine Foundation embraces the experience of the Moleskine brand's founders, who are committed to creating a genuine social impact by applying the very values that enabled the brand's success. It operates in complete independence from the Moleskine company.

The Moleskine Foundation believes that quality education is crucial to producing positive change in society and driving our collective future. It is committed to providing young people with unconventional educational tools and experiences that help foster critical thinking, creativity and life-long learning, with a focus on communities that are affected by cultural and social deprivation.

To achieve this, the Foundation works at the intersection of three focus areas: innovative education, art and culture for social transformation, advocacy and cross-cultural awareness. With a special focus on Africa, the Foundation works closely with local organisations to fund, support and co-create a wide range of distinctive initiatives. Together with its partners and grantees, the Moleskine Foundation strives to catalyse systemic change through an open, participatory and cross-sectorial approach.

www.moleskinefoundation.org

Sustainable creativity

Staying power

Sustainability is extremely important for Moleskine, so it is no coincidence that the brand creates objects that are primarily designed to be kept, reused and treasured. The legendary notebook is conceived as a book that is yet to be written – an object to fill with your most precious thoughts and kept forever, not casually consigned to landfill once complete. This is true of all Moleskine objects. Notebooks, bags, pouches and wallets are all designed to be platforms for self-expression that evolve over time to tell a story about the places you've been and the ideas you've gathered along the way.

No idea is wasted

As part of its eco-friendly production process, Moleskine works hard to keep packaging to a minimum. This objective is reflected in the Moleskine B-side project, which uses reusable packaging to minimize waste. The paper band that comes wrapped around Moleskine notebooks can be personalized to record details of the user's thoughts and experiences. Creativity meets sustainability: customers are invited to make a paper tool or toy, or simply to enjoy some thought-provoking words. Maximum inspiration and minimum waste.

Sustainable procurement

- ***Paper origin***

It is fundamental to the Company that Moleskine notebooks only use FSC (Forest Stewardship Council) certified paper. Moleskine believes in responsible forest management – both on an environmental and social level – as outlined in the FSC manifesto, and takes its role regarding this issue very seriously. As a further environmental safeguard, Moleskine paper is acid and chlorine-free and complies to international regulations regarding the use of chemicals throughout the production process.

- ***Working conditions***

Moleskine adheres to a set of legal and ethical standards as described in its Code of Ethics, adopted since 2013. This Code serves to reaffirm the Group's commitment to meeting the highest standards of legal and ethical conduct in its commercial dealings and employee management.

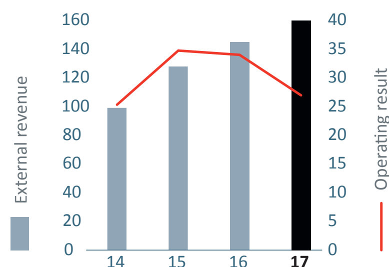
Moleskine's purchasing conditions require suppliers to guarantee that every stage of their chain of production complies with the SA8000 international Social Responsibility Standard. This standard, which is regularly updated, applies to all working conditions and covers safety, hygiene, under-age workers and exploitative, non-voluntary work and the legitimacy of employment contracts.

More details about Moleskine's corporate commitments are available in the Non-Financial Disclosure published on p. 102 of the Financial and Directors' Report.

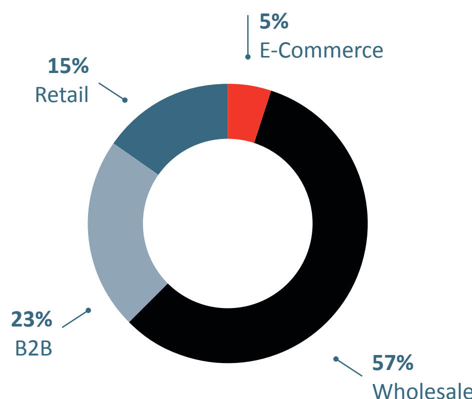
(EUR million)	2014	2015	2016	2017
External revenue	98.8	128.2	145.2	155.4
Operating result	25.3	34.8	34.0	25.2
Operating margin	25.6%	27.2%	23.4%	16.2%
Result before tax	24.1	34.6	32.9	15.2
Result after tax	16.5	27.1	23.3	10.1
Number of stores	41	58	79	87
Number of employees *(year-end)*	278	359	401	468

Note: Moleskine's results are fully consolidated in D'Ieteren's accounts as from 1 October 2016.

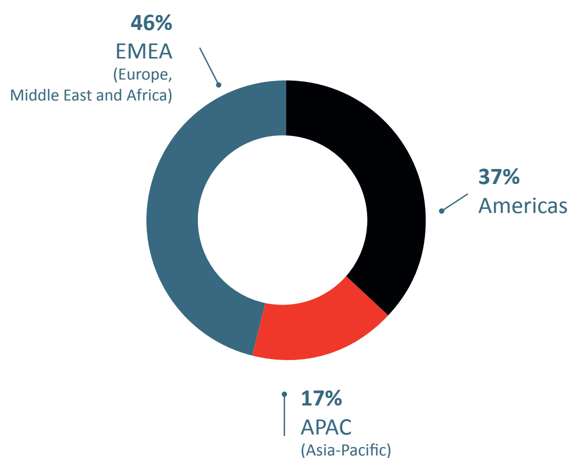
REVENUE AND OPERATING RESULT (EUR million)



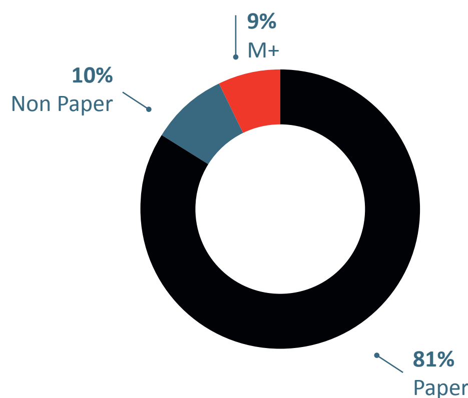
REVENUE BREAKDOWN BY CHANNEL (2017)



REVENUE BREAKDOWN BY GEOGRAPHY (2017)



REVENUE BREAKDOWN BY PRODUCT RANGE (2017)



Glossary of alternative performance measures (APMs) used in this activity report

In order to better reflect its underlying performance and assist investors, securities analysts and other 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 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.

Each line of the statement of profit or loss, and each subtotal of the segment statement of profit or loss, 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 and 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 after tax** consists of the reported result from continuing operations (or the result for the period when no discontinued operation is reported), excluding *adjusting* items, and excluding their tax impact.

***Adjusted* result before tax** consists of the reported result before tax excluding *adjusting* items as defined above.

Adjusted result after tax, Group's share, and *adjusted* result before tax, Group's share, exclude the share of minority shareholders in *adjusted* result before/after tax.

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.

Earnings per share are based on the result for the period attributable to equity holders of the Parent, 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). *Adjusted* earnings per share, which do not include *adjusting* items, are presented to highlight underlying performance.

D'Ieteren

FINANCIAL AND DIRECTORS' REPORT 2017

Financial and Directors' Report 2017

Contents

2 **Declaration by Responsible Persons**
2 **2017 Full-Year Results**
16 **Consolidated Financial Statements 2017**
17 Consolidated Statement of Profit or Loss
18 Consolidated Statement of Comprehensive Income
19 Consolidated Statement of Financial Position
20 Consolidated Statement of Changes in Equity
21 Consolidated Statement of Cash Flows
22 Notes to the Consolidated Financial Statements
79 Statutory Auditor's Report
82 **Summarised Statutory Financial Statements 2017**
86 **Corporate Governance Statement**
86 Composition and functioning of the Board, executive management and control bodies
90 Diversity policy
91 Remuneration Report
94 Internal controls and risk management systems
100 Capital information
102 **Disclosure of non-financial information**
111 **Share Information**

Contents of the consolidated directors' report *

2 **Evolution of the situation, activities and results of the company**
86 **Corporate Governance Statement**
86 Composition and Functioning of the Board and Executive Management Bodies
90 Derogations to the 2009 Corporate Governance Code
90 Diversity policy
32, 91 Remuneration Report
94 Internal controls and risk management systems
100 Capital information
101 • Disclosure of significant shareholdings
101 • Elements that can have an influence in case of a takeover bid
52 • Equity
102 Disclosure of non-financial information
58 **Financial risk management**
68 **Services provided by the Statutory Auditor**
68 **Subsequent events**

* The topics of Article 119 of the Company Code, defining the content of the management report, that are not applicable for D'Ieteren, have not been included in this summary.

Declaration by Responsible Persons

Statement on the true and fair view of the consolidated 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, the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards 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 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.

2017 Full-year results

In November 2017, D'Ieteren and Clayton, Dubilier & Rice (CD&R) signed a definitive agreement regarding a partnership investment by CD&R in Belron. As a result, Belron's assets and liabilities are included under "assets/liabilities as held for sale" on the consolidated balance sheet of 31 December 2017 and D'Ieteren's share in Belron's FY 2017 (and restated 2016) net results are included under "discontinued operations". The transaction whereby CD&R acquired a 40% stake in Belron closed on 7 February 2018. Belron's results will be included under equity accounting method from 2018 onwards following the loss of exclusive control (according to IFRS rules). Note that Moleskine's results have been fully consolidated in D'Ieteren's accounts as from 1 October 2016.

2017 was a positive year for D'Ieteren: its three activities realised healthy sales growth and D'Ieteren Group's key performance indicator (KPI) – the *adjusted* consolidated result before tax, Group's share[1] – increased by 2.6% to EUR 247.9 million, in line with the latest guidance.

- **D'Ieteren Auto's** sales growth (+6.0%) reflected higher volumes and a positive price/mix effect. The total number of new vehicles delivered rose by 2.2% driven by a slightly higher new car market and continued market share gains in a buoyant light commercial vehicle market. The *adjusted* result before tax, Group's share[1] of D'Ieteren Auto including Corporate activities rose by 16.6%.

- **Belron** realized 6.0% organic sales growth[5] reflecting a solid performance both in the US and Europe. *The adjusted* result before tax, Group's share[1], declined by 9.4% due to higher charges related to the long-term management incentive programme, additional costs related to the service extension programme and foreign exchange headwinds.

- **Moleskine's** sales improved by 6.7% and its contribution to D'Ieteren's *adjusted* result before tax, Group's share[1], reached EUR 15.2 million. Following the acquisition by D'Ieteren, 2017 was a transition year for Moleskine marked by the launch of strategic initiatives and organizational developments.

- The Board of Directors proposes a stable **gross ordinary dividend of EUR 0.95 per share and a gross extraordinary dividend of EUR 2.85 per share, totalling EUR 3.80 per share**. The proposal to pay an exceptional dividend has been made following the sale of 40% of the shares held by D'Ieteren SA in Belron (after refinancing), which constitutes a one-off transaction, in order to allow shareholders to benefit in a tangible way from the value thus created.

On a comparable basis, D'Ieteren is aiming for a mid-to-high single digit improvement for its *adjusted* consolidated result before tax, Group's share[1] in 2018. Following the sale of 40% of its shares in Belron to CD&R, D'Ieteren's stake in Belron is 54.85% as from February 2018. The guidance assumes a 58.18% stake (a weighted average of 94.85% for one month and 54.85% over 11 months) in 2017 and 2018. If Belron had been consolidated according to this ratio (58.18%) in 2017, the adjusted consolidated result before tax, Group's share[1], would have been EUR 195.9 million. This guidance assumes average foreign exchange rates in 2018 that are in line with the exchange rates that prevailed at the end of 2017.

1. Group summary

A. SALES

Consolidated sales under IFRS amounted to **EUR 3,455.1 million** (**+9.1%** compared to restated 2016 sales). This figure excludes Belron. **Combined[2] sales** (including 100% of Belron) amounted to **EUR 6,941.3 million, +7.3%** compared to 2016. Moleskine contributed 12 months of sales in 2017 compared to only 3 in 2016.

Combined[2] sales are broken down as follows:

- ***D'Ieteren Auto:*** EUR 3,299.7 million, **+6.0%** year-on-year on the back of higher volumes and a positive price mix effect. Excluding registrations of less than 30 days[3], Belgian new car registrations rose by 2.7% year-on-year and D'Ieteren Auto's market share[2] reached 21.29% (21.83% in 2016). The total number of vehicles, including commercial vehicles, delivered by D'Ieteren Auto rose by 2.2% to 125,229 units in 2017.

- ***Belron's*** sales momentum was strong. Revenues amounted to EUR 3,486.2 million, **+5.5%** year-on-year, comprising a 6.0% organic increase, 1.8% from acquisitions and a negative currency translation effect of 2.3%. The sales momentum was strong both in Europe and outside Europe.

- ***Moleskine's*** contribution to D'Ieteren's consolidated sales amounted to EUR 155.4 million (12 months) in 2017, up from EUR 52.1 million (3 months) in 2016. Sales were up 6.7% compared to the full year 2016.

B. RESULTS

- The **consolidated result before tax (under IFRS)** reached EUR 99.8 million in 2017 compared to EUR 94.3 million in 2016 (restated). These figures exclude Belron.

  - If we include Belron, our key performance indicator, the ***adjusted*** **consolidated result before tax, Group's share[1]**, reached EUR 247.9 million, up 2.6% compared to 2016. It breaks down as follows:
    - ***D'Ieteren Auto and Corporate activities:*** EUR 98.2 million, +16.6% year-on-year, reflecting improved results at D'Ieteren Auto and lower costs at the Corporate level.
    - ***Belron:*** EUR 134.5 million, -9.4% year-on-year, mainly due to higher charges related to the long-term management incentive programme, additional costs related to the service extension strategy and foreign exchange headwinds.
    - ***Moleskine:*** EUR 15.2 million in 2017 compared to EUR 9.0 million in 2016 (3 months). The result was impacted by a slowdown in growth particularly in the US, financing costs related to the acquisition by D'Ieteren, costs to reinforce the regions and the capabilities of the corporate centre functions in order to support future growth and provisions for a new management incentive programme. Moleskine was fully consolidated (100%) as from 1 January 2017, whilst the weighted average stake used for the three months period ending 31 December 2016 was 71.52%.

  - The **Group's share in the net result for the period** rose to EUR 112.6 million (EUR 49.9 million in 2016). The adjusted net profit, Group's share[1] reached EUR 194.8 million (EUR 215.3 million in 2016).

C. DIVIDEND

The Board of Directors proposes a stable gross ordinary dividend of EUR 0.95 per share and a gross extraordinary dividend of EUR 2.85 per share, totalling EUR 3.80 per share. The proposal to pay an exceptional dividend has been made following the sale of 40% of the shares held by D'Ieteren SA in Belron (after refinancing), which constitutes a one-off transaction, in order to allow shareholders to benefit in a tangible way from the value thus created. If these dividends are approved by the General Meeting of Shareholders on 31 May 2018, it will be paid on 7 June 2018 (ex date 5 June and record date 6 June).

D. FINANCING OF THE ACTIVITIES

Between December 2016 and December 2017, the Group's combined[2] financial net debt[4] increased from EUR 993.5 million to EUR 1,011.8 million.

The net cash position[4] of the D'Ieteren Auto/Corporate segment rose by EUR 477.8 million to EUR 549.5 million on 31 December 2017. This increase is mainly due to the extraordinary dividend (EUR 429 million) that was received from Belron following the issue of new term loans (see below). Note that the proceeds (about EUR 620 million) related to the disposal of a 40% stake in Belron were received in February 2018.

Belron's net financial debt[4] rose from EUR 793.1 million at the end of 2016 to EUR 1,271.9 million at the end of 2017. Belron refinancing was completed on 7 November 2017 with the launch of a 7-year Term Loan B facility of USD 1,025 million and EUR 425 million. A 6-year revolving credit facility of EUR 280 million was also put in place. The proceeds of the Term Loan B were used to refinance the US Private Placement (USPP) instruments, reimburse the shareholder loans, pay an extraordinary dividend (EUR 453 million) to its shareholders and cover fees and transaction costs related to the refinancing. Net debt[4]/EBITDA[6] reached 3.87 at the end of 2017.

The net debt[4] of the Moleskine segment rose from EUR 272.1 million at the end of 2016 to EUR 289.4 million at the end of 2017. The increase mainly reflects the cash outflow (EUR 15.9 million) related to the squeeze-out procedure in January 2017.

E. OUTLOOK FOR FY 2018 *ADJUSTED* RESULT BEFORE TAX, GROUP'S SHARE[1]

On a comparable basis, D'Ieteren aims for a 'mid-to-high single digit improvement' in its *adjusted* consolidated result before tax, Group's share[1]. This guidance is based on average foreign exchange rates in 2018 that are in line with the exchange rates that prevailed at the end of 2017. Following the sale of 40% of its shares in Belron to CD&R, D'Ieteren's stake in Belron is 54.85% as from February 2018. The guidance assumes a 58.18% stake (weighted average of 94.85% for one month and 54.85% over 11 months) in 2017 and 2018. If Belron had been consolidated according to this ratio (58.18%) in 2017, the *adjusted* consolidated result before tax, Group's share[1] would have been EUR 195.9 million.

In a market that is expected to contract slightly, D'Ieteren Auto aims at flat volumes thanks to commercial initiatives and new model launches. The adjusted result before tax, Group's share[1], of D'Ieteren Auto and Corporate is expected to improve slightly.

Belron aims at moderate organic sales growth. Its contribution to D'Ieteren's *adjusted* result before tax, Group's share[1], is set to rise 'high single digit' on a comparable basis (assuming an average stake of 58.18% for 2017 and 2018). The improvement will mainly be driven by Safelite (USA) and lower charges related to the long-term management incentive programme as the current 3-year rolling programme will end in 2019 and will be replaced by a direct equity investment by the management.

Moleskine expects double-digit growth for revenues and *adjusted*[1] result before tax thanks to its strengthened organization and strategic initiatives.

2. Automobile distribution (D'Ieteren Auto) and corporate activities

- **Excluding new car registrations of less than 30 days[3], the Belgian market increased by 2.7% year-on-year and D'Ieteren Auto's share reached 21.29% in 2017 (21.83% in 2016).**
- **New vehicle sales rose by 6.3% to EUR 2,905.1 million in 2017. Total sales rose 6% to EUR 3,299.7 million (EUR 3,114.2 million in 2016).**
- **The operating result reached EUR 71.1 million (EUR 77.5 million in 2016):**
    - **The *adjusted* operating result[1] rose by 13.3% to EUR 85.9 million**
    - ***Adjusting*[1] items included in the operating result reached EUR -14.8 million**
- **The result before tax totalled EUR 84.6 million (EUR 81.1 million in 2016), up 4.3%.**
- **The *adjusted* result before tax, Group's share[1], reached EUR 98.2 million (EUR 84.2 million in 2016), up 16.6%.**
- **The Belgian new car market is expected to decrease slightly in 2018 following four years of growth. D'Ieteren Auto aims at flat volumes thanks to commercial initiatives and new model launches. The *adjusted* result before tax, Group's share[1], should see a moderate improvement.**

2.1. ACTIVITIES AND RESULTS

D'Ieteren Auto's sales rose by 6.0% to EUR 3,299.7 million in 2017 thanks to higher volumes in a solid market and a positive price/mix effect (more SUVs).

New vehicles

Excluding registrations of less than 30 days[3], Belgian new car registrations rose by 2.7% year-on-year to 533,385 units. Including these registrations, the Belgian market totalled 546,558 new car registrations, up 1.3% year-on-year. The shift from diesel engines to petrol and cleaner engines continued with the share of diesel falling from 51.8% in 2016 to 46.4% in 2017. The share of alternative energy engines (electric, hybrid, CNG) rose from 3.8% to 5.4%.

Excluding registrations of less than 30 days[3], the market share of the brands distributed by D'Ieteren Auto reached 21.29% in 2017 (vs 21.83% the previous year).

Volkswagen remained the leading brand in Belgium with a market share[3] of 9.42% in 2017. Note that demand for the Tiguan was boosted in 2016 by the successful run-out campaign of the old version and the launch of the new Tiguan. Audi continues to face fierce competition in the premium segment. Audi's market share[3] was almost flat thanks to the success of the Q2, the A5 and the Q5. The share of Škoda improved slightly mainly thanks to the Kodiaq and Superb. SEAT's improved market share reflects the success of the Ateca SUV and initial registrations of the new Arona. Porsche's share gain was mainly underpinned by higher demand for the Panamera which was replaced at the end of 2016.

Registrations of new light commercial vehicles in Belgium totalled 76,786 units, up 12.0% year-on-year. The strong rise is explained by macro-economic tailwinds, rising e-commerce related parcel deliveries and a kilometre based toll on heavy commercial vehicle traffic. D'Ieteren Auto's market share in the light commercial vehicle segment rose to 10.7% in 2017 (10.0% in 2016 and 9.2% in 2015) thanks to the success of the new Crafter and the Amarok.

The total number of new vehicles, including commercial vehicles, delivered by D'Ieteren Auto in 2017 reached 125,229 units (+2.2% compared to 2016). Higher deliveries combined with a positive price and mix effect led to new vehicle sales of EUR 2,905.1 million (+6.3% compared to 2016). The success of the newly launched SUVs explains the positive model mix effect.

The Volkswagen Group accelerated its product innovation efforts last year, especially in the SUV segment, which continues to gain share on the Belgian new car market. The following new SUV models were launched in 2017: the Volkwagen Tiguan Allspace and T-Roc, the SEAT Arona and the Škoda Karoq. Innovation in other segments included the following: Volkswagen launched the new Arteon and replaced the Polo, Audi replaced the A5 convertible and A8, SEAT replaced the Ibiza and the Škoda Citigo and Rapid received a facelift. The Porsche Cayenne and the Bentley Continental were replaced.

Other activities

The sales of spare parts and accessories reached EUR 183.8 million (-0.9% year-on-year). The after-sales activities of the corporately-owned dealerships amounted to EUR 82.3 million (-1.2% year-on-year) and used-vehicle sales equalled EUR 66.3 million (+23.0% year-on-year).

D'Ieteren Sport's sales, which are mainly comprised of Yamaha motorbikes, quads and scooters, rose by 0.7% to EUR 28.1 million.

Results

The operating result reached EUR 71.1 million (EUR 77.5 million in 2016). The *adjusted* operating result[1] climbed 13.3% to EUR 85.9 million. The result reflects higher volumes and a positive price/mix effect, increased commercial incentives, improved performance of the Retail activities and lower Corporate costs. Note that the FY 2016 result was impacted by a EUR 7.8 million charge related to the "Wecare 24 months for free" campaign and EUR 5.7 million costs related to the acquisition of Moleskine.

Adjusting items[1] at the level of the operating result amounted to EUR -14.8 million. They mainly include a EUR 7.2 million charge related to the implementation of the Market Area strategy and EUR 7.6 million professional fees and a transaction bonus related to the disposal a 40% stake in Belron.

Net financial income amounted to EUR 8.1 million (EUR -1.0 million in 2016). *Adjusted* net financial income[1], which reached EUR 3.5 million (EUR -0.1 million in 2016), includes interest on inter-segment loans partially offset by commissions on unused credit lines. The 5-year loan to Moleskine, with a fixed rate of 3%, amounted to EUR 152 million at the end of 2017.

The result before tax rose 4.3% to EUR 84.6 million (from EUR 81.1 million in 2016).

The *adjusted* result before tax, Group's share[1], of D'Ieteren Auto & Corporate equalled EUR 98.2 million (compared to EUR 84.2 million in 2016, +16.6%). The contribution of the equity accounted entities (VDFin and D'Ieteren Lease) to the *adjusted* result before tax, Group's share[1], improved from EUR 8.5 million in 2016 to EUR 8.8 million reflecting a 9% rise in the number of asset-based contracts.

Income tax expenses reached EUR 23.4 million compared to an income tax revenue of EUR 2.7 million in 2016. *Adjusted*[1] tax expenses equalled EUR 26.3 million (compared to EUR 5.6 million *adjusted*[1] tax income in 2016). The reduction in the notional interest rate from 1.131% to 0.237% and movements in deferred tax assets related to the deductibility of certain provisions and tax credits explain the swing between 2016 and 2017.

The result after tax, Group's share, amounted to EUR 61.2 million (EUR 83.8 million in 2016). The *adjusted* result after tax, Group's share[1], reached 68.7 million (EUR 86.7 million in 2016). The year-on-year evolution is mainly due to the above-mentioned tax effect.

2.2. LATEST DEVELOPMENTS

The acquisition of Rietje closed in January 2018. It includes Volkswagen (cars and commercial vehicles), Audi and Škoda dealerships and a multi-brand body shop in the northern Antwerp region. The transaction is in line with D'Ieteren Auto's strategy to reinforce its retail presence on the Antwerp-Brussels axis.

D'Ieteren Auto aims to play a role in the mobility of the future which is bound to be revolutionized by car sharing, the growing success of electric vehicles, digitization and the arrival of autonomous cars. The goal of Lab Box, which was established as an independent legal entity in 2017, is to analyse and develop innovative mobility solutions. Poppy, a car-sharing venture in Antwerp, is one of Lab Box's first initiatives. After a test phase, Poppy was officially launched in January 2018 with a fleet of 350 'clean' cars (Volkswagen e-Golfs and Audi A3 g-trons).

Giovanni Palmieri will join D'Ieteren Auto on 1 April 2018 as Chief Information Officer and member of D'Ieteren Auto's management committee. Mr Palmieri has held several management and IT positions with SNCB (Belgian railways). His technical knowhow combined with his experience in business and change management will help D'Ieteren Auto to be successful in an increasingly digital environment.

2.3. ACTIVITY OUTLOOK 2018

The Belgian new car market is expected to shrink slightly in 2018. D'Ieteren Auto aims at flat volumes thanks to commercial initiatives and new model launches. The product pipeline for 2018 includes the replacement of the Volkswagen Touareg. Audi will launch the new Q8 and the electric e-Tron and replace the Audi A7, Q3, A6 and A1. Porsche will replace the 911 and Lamborghini will introduce the Urus (SUV).

The 96th edition of the Brussels Motor Show that took place between 12 and 21 January 2018 was a great success for D'Ieteren Auto. The number of client contracts signed during January reached a record high (+18% compared to January 2017 and +29% versus January 2016). Note that 2016 and 2018 are "major" Brussels Motor Show edition years. At the end of January 2018, D'Ieteren Auto's order book was 17% and 26% higher compared to the end of January 2017 and the end of January 2016.

The *adjusted* result before tax, Group's share[1], is set to improve slightly.

3. Vehicle glass repair and replacement – Belron

- **In 2017 Belron served 16.5 million consumers (of which 12.4 million in Vehicle Glass Repair and Replacement), an increase of 7.1% compared to 2016.**
- **The Net Promotor Score improved 50 bps to a record of 83.1%.**
- **Belron's sales momentum was strong: external sales (EUR 3,486.2 million) rose by 5.5%, comprising a 6.0% organic[5] increase, 1.8% from acquisitions, partially offset by a negative currency translation effect of 2.3%.**
- **The operating result reached EUR 148.5 million (EUR 41.6 million in 2016):**
    - o **The *adjusted* operating result[1] totalled EUR 189.8 million (-0.5%).**
    - o **Adjusting items[1] totalled EUR 41.3 million (see details on the following page).**
- **The result before tax was EUR 62.4 million (EUR 5.3 million in 2016).**
- **The *adjusted* result before tax, Group's share[1], reached EUR 134.5 million (EUR 148.4 million in 2016).**
- **Outlook for 2018: Belron expects moderate organic sales growth. On a comparable basis, Belron's *adjusted* result before tax[1] is expected to show a 'high single digit' rise.**

3.1. ACTIVITIES AND RESULTS

Sales

Belron's sales reached EUR 3,486.2 million in 2017, a year-on-year increase of 5.5%, comprising a 6.0% organic increase[5], 1.8% growth from acquisitions, partly offset by a negative currency translation impact of 2.3%. The total number of Vehicle Glass Repair and Replacement (VGRR) consumers increased by 5.1% to EUR 12.4 million, despite the backdrop of market declines across most markets. The currency translation impact is primarily due to the weaker US dollar and British pound.

European sales increased by 7.6%, consisting of a 5.2% organic[5] increase and 3.7% from acquisitions, partially offset by adverse currency translation effect of 1.3%. The organic[5] sales improvement was primarily realized in the largest countries (France, Germany and the UK). It was underpinned by market share gains, a positive price/mix effect and higher revenues from complementary products. Growth from acquisitions mainly relates to the inclusion of CARe Carrosserie (Belgium) from 31 March 2017. The negative currency impact is primarily due to the weaker British pound.

Outside of Europe, sales increased by 3.4%, comprising an organic sales[5] increase of 6.3% and growth from acquisitions of 0.2%, partly offset by a negative currency effect of 3.1%. Safelite (USA) delivered strong growth despite a slow start to the year following mild winter conditions in the Northeast. Sales growth was achieved through continued market share gains.

Results

The operating result reached EUR 148.5 million in 2017 (2016: EUR 41.6 million). The *adjusted* operating result[1], was almost flat at EUR 189.8 million (2016: EUR 190.7 million). Two offsetting factors impacted the result:

- A EUR 10.7 million rise in the charges for the long-term management incentive plan, reflecting a better-than-expected outcome for 2017 combined with a stronger outlook for 2018 and 2019.
- According to IFRS 5, Belron's assets and liabilities were classified under 'Non-current assets/liabilities classified as held for sale' as from 28 November 2017 when D'Ieteren and CD&R signed a definitive agreement regarding CD&R's acquisition of a 40% stake in Belron. Under IFRS 5, these tangible and intangible fixed assets were not depreciated between 28 November 2017 and 31 December 2017, which had a positive impact of EUR 10.5 million on Belron's (*adjusted*[1]) operating result.

Belron saw profitability improve in the UK, Germany, Spain and France. The loss in the UK was significantly reduced. Many of the smaller countries also delivered encouraging results. The small drop in US profitability resulted from the weaker US dollar and the market decline due to mild winter conditions in the Northeast in Q1 2017. The weaker US dollar had a negative impact of about EUR 5 million on the *adjusted*[1] operating result. Belron's result was also impacted by start-up and acquisition costs (EUR 10.6 million) related to service extension.

Adjusting items[1] of EUR -41.3 million in the operating result comprise:

- Goodwill impairment related to Italy (EUR -16.0 million)
- An impairment on capitalised IT software costs in the US (EUR -3.5 million)
- Amortisation of brands and customer contracts (EUR -5.3 million)
- Gains on US fuel hedges (EUR 1.6 million)
- Fees (EUR -8.1 million) related to the project to bring a minority partner into Belron
- Provisions for legal disputes (EUR -11.4 million)
- Other (EUR 1.4 million)

The net finance costs amounted to EUR 86.1 million (2016: EUR 35.5 million). Belron launched new term loans in 4Q 2017 for a total of about EUR 1.3 billion (USD 1,025 million and EUR 425 million). The proceeds were used to refinance the existing US Private Placement (USPP) instruments, reimburse the existing shareholder loans, pay an extraordinary dividend and cover fees and transaction costs related to the refinancing. The adjusting items[1] (EUR 48.6 million) included in the net finance costs relate to refinancing fees and make whole costs for the early reimbursement of the USPPs.

The result before tax reached EUR 62.4 million (up from EUR 5.3 million in 2016). The *adjusted* result before tax, Group's share[1], reached EUR 134.5 million (compared to EUR 148.4 million in 2016). This figure was *adjusted* to reflect the EUR 10.0 million depreciation (Group's share) of Belron's tangible and intangible fixed assets (see Appendix on page 14).

The tax expense reached EUR 18.8 million (EUR 21.6 million in 2016). The *adjusted*[1] tax expense amounted to EUR 30.0 million implying a tax rate of 19.7% (17.4% in 2016).

The result after tax, Group's share, equalled EUR 41.3 million (EUR -39.9 million in 2016). The *adjusted* result after tax, Group's share[1], reached EUR 116.0 million (EUR 122.6 million in 2016).

3.2. RECENT DEVELOPMENTS

On 28 November 2017, D'Ieteren and CD&R signed a definitive agreement regarding the acquisition by CD&R of a 40% ownership interest in the Belron Group. The closing of the transaction took place on 7 February 2018. D'Ieteren retains an ownership interest of 54.85% in Belron.

Belron continued to implement its service extension strategy. SMART repair (ADRR) pilots were launched in several countries (e.g. Netherlands, Italy, Belgium). In October, Belron acquired Maisoning Group, a French company providing home repair services (renovation and emergency repairs) to both B2C and B2B customers. At the end of December, Belron entered an agreement to acquire the assets and operations of Laser Group which, through its members, provides services to home owners in plumbing and electrical services in Australia and New Zealand. Both acquisitions are perfectly in line with its purpose of Making a Difference by Solving People's Problems with Real Care.

3.3. ACTIVITY OUTLOOK 2018

Belron aims at moderate organic sales growth[5] and a higher *adjusted*[1] operating result in 2018. Its contribution to D'Ieteren's *adjusted* result before tax, Group's share[1], will reflect D'Ieteren's 94.85% ownership interest in January 2018 and 54.85% from February 2018 onwards. On a comparable basis, Belron's *adjusted* result before tax, Group's share[1] is expected to rise 'high single digit'. This guidance assumes average foreign exchange rates in 2018 that are in line with the exchange rates that prevailed at the end of 2017. The improvement will reflect sales growth and efficiency initiatives together with lower charges related to the long-term management incentive programme. The 3-year rolling programme will be replaced by a direct equity investment opportunity that will be offered to the management. In 2018, there will still be charges related to the programmes that were launched in 2016 and 2017. In 2019, the charges will be limited to the programme that started in 2017.

Based on the transaction price agreed between D'Ieteren and CD&R (EUR 3 billion of enterprise value which, after deduction of debt-like items, translates into an equity value of about EUR 1.55 billion), the total consolidated gain on disposal (recognised on 100% of Belron in accordance with the requirements of IFRS 10) amounts to ca. EUR 1 billion, of which ca. EUR 0.6 billion is cash. This gain will be shown under adjusting items in 2018.

4. Moleskine

- **Following the acquisition by D'Ieteren, 2017 represented a transition year for Moleskine marked by the launch of strategic initiatives and organizational developments.**
- **Moleskine's results were fully consolidated in D'Ieteren's accounts as from 1 October 2016. It contributed EUR 155.4 million (EUR 52.1 million in 2016) to D'Ieteren's consolidated sales in 2017. If we include 12 months in 2016, sales rose by 6.7% year-on-year or by 8.5% at constant exchange rates thanks to favourable developments in all products, all regions and almost all channels.**
- **The contribution to D'Ieteren's consolidated operating result amounted to EUR 25.2 million. This compares with EUR 34.0 million on a full-year basis in 2016. The evolution mainly reflects 'fit-for-growth' costs to sustain future development, integration costs and the new long-term management incentive programme.**
- **Net financial charges including financing costs related to the acquisition by D'Ieteren amounted to EUR 10.0 million. The result before tax and the *adjusted* consolidated result before tax, Group's share[1], reached EUR 15.2 million in 2017.**
- **For 2018, Moleskine aims at double-digit growth for its sales and *adjusted* profit before tax.**

4.1. ACTIVITIES AND RESULTS

Sales

Sales increased by 6.7% (compared to 12 months in 2016) or by 8.5% at constant exchange rates.

All regions realized growth at constant exchange rates:

- EMEA (46% of total): +13.9% across all channels with the exception of e-commerce
- Americas (37% of total): +4.1% reflecting more challenging off-line distribution
- APAC (17% of total): +4.5% driven by Wholesale and China e-commerce

Moleskine realized sales growth at constant exchange rates in each distribution channel with the exception of E-Commerce:

- Wholesale (57% of total): +7.0% driven by EMEA and APAC
- B2B (23% of total): +9.9% despite an unfavourable base of comparison related to a large loyalty program in 2016 which was not repeated in 2017
- Retail (15% of total): +16.6% mainly reflecting the full-year contribution of the stores opened in 2016
- E-Commerce (5% of total): -3.7% due to migration in 2017 to a new platform

The Wholesale channel benefited from dedicated visual merchandising projects with key retailers across all geographies and expansion into new channels. For example, bags were introduced in stores specialized in travel and leather goods and M+ products were sold in consumer electronic chains. B2B continued to grow thanks to increased focus on key markets and large deals including cross country contracts. The number of Retail stores increased from 79 at the end of 2016 to 87 at the end of 2017. E-Commerce sales were impacted by logistic issues following the migration to a new platform. The sales evolution of the two direct channels was impacted by an unfavourable base of comparison mainly linked to the launch of the Smart Writing Set in 2016.

Results

The operating result reached EUR 25.2 million in 2017 (12-months 2016: EUR 34.0 million) and the margin declined from 23.4% to 16.2% reflecting:

- Costs related to strategic projects for future growth (e.g. strengthening of the regional corporate structures, digital innovation projects, the Moleskine Foundation, move to new headquarters…)
- Increase in the number of FTEs from 401 at the end of 2016 to 468 at the end of 2017
- Strengthening of the IT infrastructure (SAP was launched across the company on 1st January 2017)
- A EUR 2.5 million charge related to the new long-term incentive program
- Consultancy fees for the development of a new 5-year business plan
- Merger costs (Moleskine SpA merged with its parent company DM Invest Srl)
- A negative channel mix effect: higher weight of the loss-making Retail channel
- A negative currency impact of EUR 1.3 million mainly linked to the weakening of the USD

Net financial charges increased from EUR 1.0 million to EUR 10.0 million due to the financing cost related to the acquisition by D'Ieteren.

The full-year result before tax reached EUR 15.2 million (compared to EUR 32.9 million in 2016) and net profits declined from EUR 23.3 million to EUR 10.1 million.

4.2. KEY DEVELOPMENTS

Moleskine continued to innovate while broadening and strengthening the depth of its product offering during H2 2017. Some major highlights:

- The launch of the Smart Planner, a new way to instantly digitize appointments written on paper, while syncing them with online calendars and devices both on Android and iOS
- The Open Innovation Program in partnership with incubator Digital Magics: an international call for start-ups and scale-ups to submit project proposals to be further developed with Moleskine to add to the growing Moleskine+ category.

The Moleskine Foundation was launched in November. The purpose of this non-profit organization is based on the belief that quality education is key to producing a positive change in society and driving our collective future. Focused on communities that are culturally and socially deprived, the Foundation is committed to providing youth with unconventional educational tools and experiences that help foster critical thinking, creativity and life-long learning. The Foundation is completely independent of the company from an organizational and operational standpoint. Moleskine supports the Foundation through a financial contribution.

4.3. ACTIVITY OUTLOOK FOR 2018

For 2018, Moleskine aims at double digit growth for its sales and adjusted profit before tax underpinned by its strengthened organisation and strategic initiatives.

The share of non-paper products and M+ as a % of total sales is expected to increase further.

Profitability of the Retail channel is a strategic priority which will be driven by the ongoing pursuit of operational excellence aimed at delivering an improved customer experience. Additional strategic priorities include the further development of the new product categories (bags & digital products) and the reinforcement of the IT systems and tools (e.g. CRM).

5. Research and development

Research and development costs incurred by the Group during the year amount to EUR 1.9 million and are solely related to the vehicle glass repair and replacement activity. Belron undertakes ongoing research and development activity relating to the vehicle glass repair and replacement, in order to ensure that it remains at the cutting edge of its field. Such activity is undertaken ensuring that both performance and safety standards within the Group's field of operation are met.

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 10 for the definition of these performance indicators.

2 Combined figures include Belron at 100%. Note that under IFRS Belron is included under discontinued operations in 2017. The figures for 2016 were restated accordingly.

3 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.

4 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 15.

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 EBITDA is not an IFRS indicator. This APM (non-GAAP indicator) is defined as earnings before interest, taxes, depreciation and amortization.

Appendix

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 is 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 next page), and each subtotal of the segment statement of profit or loss (see next page), 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 un der 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 segment reported result before tax (PBT), taking into account the result before tax of the discontinued operations, and excluding adjusting items and the share of minority shareholders.

Presentation of APMs in the consolidated statement of profit or loss for the year ended 31 December

EUR million	2017			2016 (1)		
	Total	*Of which*		**Total**	*Of which*	
		Adjusted result	*Adjusting items*		*Adjusted result*	*Adjusting items*
Revenue	**3,455.1**	*3,455.1*	-	**3,166.3**	*3,166.3*	-
Cost of sales	-2,985.2	*-2,978.0*	*-7.2*	-2,796.5	*-2,789.3*	*-7.2*
Gross margin	**469.9**	*477.1*	*-7.2*	**369.8**	*377.0*	*-7.2*
Commercial and administrative expenses	-374.3	*-366.7*	*-7.6*	-289.9	*-292.5*	*2.6*
Other operating income	5.8	*5.8*	-	10.5	*4.2*	*6.3*
Other operating expenses	-5.1	*-5.1*	-	1.7	*1.7*	-
Operating result	**96.3**	*111.1*	*-14.8*	**92.1**	*90.4*	*1.7*
Net finance costs	-1.9	*-6.5*	*4.6*	-2.4	*-1.5*	*-0.9*
Finance income	3.6	*0.7*	*2.9*	1.2	*1.2*	-
Finance costs	-5.5	*-7.2*	*1.7*	-3.6	*-2.7*	*-0.9*
Share of result of equity-accounted investees, net of income tax	5.4	*5.6*	*-0.2*	4.6	*5.4*	*-0.8*
Result before tax	**99.8**	*110.2*	*-10.4*	**94.3**	*94.3*	-
Income tax expense	-28.5	*-31.4*	*2.9*	-1.4	*1.5*	*-2.9*
Result from continuing operations	**71.3**	*78.8*	*-7.5*	**92.9**	*95.8*	*-2.9*
Discontinued operations	43.6	*122.3*	*-78.7*	-41.2	*129.3*	*-170.5*
RESULT FOR THE PERIOD	**114.9**	*201.1*	*-86.2*	**51.7**	*225.1*	*-173.4*
Result attributable to:						
Equity holders of the Company	**112.6**	*194.8*	*-82.2*	**49.9**	*215.3*	*-165.4*
Non-controlling interests	2.3	*6.3*	*-4.0*	1.8	*9.8*	*-8.0*
Earnings per share						
Basic (EUR)	2.05	*3.55*	*-1.50*	0.91	*3.92*	*-3.01*
Diluted (EUR)	2.05	*3.54*	*-1.49*	0.91	*3.92*	*-3.01*
Earnings per share -Continuing operations						
Basic (EUR)	1.30	*1.44*	*-0.14*	1.65	*1.70*	*-0.05*
Diluted (EUR)	1.30	*1.43*	*-0.13*	1.64	*1.69*	*-0.05*

(1) As restated to present the Belron segment as a discontinued operation – See notes 1, 16 and 28 of the 2017 consolidated financial statements for more information.

Presentation of APMs in the segment statement of profit or loss for the year ended 31 December

EUR million	2017					2016 [1]				
	D'Ieteren Auto	Belron	Mole-skine	Elimi-nations	Group	D'Ieteren Auto	Belron	Mole-skine	Elimi-nations	Group
External revenue	3,299.7	3,486.2	155.4	-3,486.2	3,455.1	3,114.2	3,305.4	52.1	-3,305.4	3,166.3
Inter-segment revenue	8.3	-	-	-8.3	-	7.7	-	-	-7.7	-
Segment revenue	**3,308.0**	**3,486.2**	**155.4**	**-3,494.5**	**3,455.1**	**3,121.9**	**3,305.4**	**52.1**	**-3,313.1**	**3,166.3**
Operating result (being segment result)	**71.1**	**148.5**	**25.2**	**-148.5**	**96.3**	**77.5**	**41.6**	**14.6**	**-41.6**	**92.1**
Of which Adjusted result	*85.9*	*189.8*	*25.2*	*-189.8*	*111.1*	*75.8*	*190.7*	*14.6*	*-190.7*	*90.4*
Adjusting items	*-14.8*	*-41.3*	*-*	*41.3*	*-14.8*	*1.7*	*-149.1*	*-*	*149.1*	*1.7*
Net finance costs	8.1	-86.1	-10.0	86.1	-1.9	-1.0	-35.5	-1.4	35.5	-2.4
Finance income	3.4	0.3	0.2	-0.3	3.6	1.1	0.4	0.1	-0.4	1.2
Finance costs	-0.7	-85.5	-5.7	86.4	-5.5	-3.1	-35.5	-0.9	35.9	-3.6
Inter-segment financing interest	5.4	-0.9	-4.5	-	-	1.0	-0.4	-0.6	-	-
Share of result of equity-accounted investees, net of income tax	5.4	-	-	-	5.4	4.6	-0.8	-	0.8	4.6
Result before tax	**84.6**	**62.4**	**15.2**	**-62.4**	**99.8**	**81.1**	**5.3**	**13.2**	**-5.3**	**94.3**
Of which Adjusted result	*95.0*	*152.3*	*15.2*	*-152.3*	*110.2*	*81.1*	*156.6*	*13.2*	*-156.6*	*94.3*
Adjusting items	*-10.4*	*-89.9*	*-*	*89.9*	*-10.4*	*-*	*-151.3*	*-*	*151.3*	*-*
Income tax expense	-23.4	-18.8	-5.1	18.8	-28.5	2.7	-21.6	-4.1	21.6	-1.4
Result from continuing operations	**61.2**	**43.6**	**10.1**	**-43.6**	**71.3**	**83.8**	**-16.3**	**9.1**	**16.3**	**92.9**
Of which Adjusted result	*68.7*	*122.3*	*10.1*	*-122.3*	*78.8*	*86.7*	*129.3*	*9.1*	*-129.3*	*95.8*
Adjusting items	*-7.5*	*-78.7*	*-*	*78.7*	*-7.5*	*-2.9*	*-145.6*	*-*	*145.6*	*-2.9*
Discontinued operations	-	-	-	43.6	43.6	-	-24.9	-	-16.3	-41.2
RESULT FOR THE PERIOD	**61.2**	**43.6**	**10.1**	**-**	**114.9**	**83.8**	**-41.2**	**9.1**	**-**	**51.7**

Attributable to:	D'Ieteren Auto	Belron	Mole-skine	Elimi-nations	Group	D'Ieteren Auto	Belron	Mole-skine	Elimi-nations	Group
Equity holders of the Company	**61.2**	**41.3**	**10.1**	**-**	**112.6**	**83.8**	**-39.9**	**6.0**	**-**	**49.9**
Of which Adjusted result	*68.7*	*116.0*	*10.1*	*-*	*194.8*	*86.7*	*122.6*	*6.0*	*-*	*215.3*
Adjusting items	*-7.5*	*-74.7*	*-*	*-*	*-82.2*	*-2.9*	*-162.5*	*-*	*-*	*-165.4*
Non-controlling interests	-	2.3	-	-	2.3	-	-1.3	3.1	-	1.8
RESULT FOR THE PERIOD	**61.2**	**43.6**	**10.1**	**-**	**114.9**	**83.8**	**-41.2**	**9.1**	**-**	**51.7**

(1) As restated to present the Belron segment as a discontinued operation – See notes 1, 16 and 28 of the 2017 consolidated financial statements for more information.

The column “Eliminations” reconciles the segment statement of profit or loss (with Belron presented on all lines as a continuing operation) with the IFRS Group consolidated statement of profit or loss (with Belron presented as a discontinued operation).

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

In 2017 and 2016, the Group identified the following items as *adjusting* items throughout the three segments:

EUR million	2017					2016				
	D'Ieteren Auto		Belron		Total (segment)*	D'Ieteren Auto		Belron		Total (segment)*
***Adjusting* items**										
Included in operating result	**-14.8**		**-41.3**		**-56.1**	**1.7**		**-149.1**		**-147.4**
Re-measurements of financial instruments	-		1.6	(e)	1.6	-		5.9	(e)	5.9
Amortisation of customer contracts	-		-4.5	(f)	-4.5	-		-9.6	(f)	-9.6
Amortisation of brands with finite useful life	-		-0.8	(g)	-0.8	-		-1.0	(g)	-1.0
Impairment of goodwill and of non-current assets	-		-19.5	(h)	-19.5	-		-133.2	(h)	-133.2
Other adjusting items	-14.8	(a)	-18.1	(i)	-32.9	1.7	(a)	-11.2	(i)	-9.5
Included in net finance costs	**4.6**		**-48.6**		**-44.0**	**-0.9**		**-1.4**		**-2.3**
Impairment of financial assets	-		-		-	-		-1.4		-
Re-measurements of put options granted to non-controlling interests	1.7	(b)	-		1.7	-0.9	(b)	-		-0.9
Other adjusting items	2.9	(c)	-48.6	(j)	-45.7	-		-		-
Included in equity accounted result	**-0.2**	(d)	**-**		**-0.2**	**-0.8**	(d)	**-0.8**		**-1.6**
Included in segment result before taxes (PBT)	**-10.4**		**-89.9**		**-100.3**	**-**		**-151.3**		**-151.3**

* Total of the *adjusting* items at the level of each segment, despite the classification as continuing or discontinued operations. The *adjusting* items presented in the Belron segment should be deducted from this total to reconcile with the Group figures reported in the segment statement of profit or loss.

D'Ieteren Auto

(a) In the period, other adjusting items in operating result include a charge of EUR 7.2 million in the framework of the "Market Area" project (optimization of the independent dealer network) and EUR 7.6 million of professional fees and transaction bonus related to the project to bring a minority partner in the business (see press releases dated 2 May 2017, 19 November 2017, 28 November 2017 and 7 February 2018). In the prior period, other adjusting items in operating result included a gain of EUR 6.3 million on the sale of buildings previously used for activities, a gain of EUR 3.1 million on the partial release of provisions recognised in December 2015 in relation to the "Emissiongate", and a charge of EUR 7.7 million in the framework of the "Market Area" project.

(b) Net finance costs include the re-measurement charge of put options granted to certain non-controlling interests (family holding company of Belron's CEO) amounting to EUR 1.7 million (EUR -0.9 million in the prior period).

(c) In the period, other adjusting items in net finance costs include the gain on sale realized following the sale in July 2017 of D'Ieteren Auto's 50% stake in OTA Keys s.a. to Continental AG.

(d) In the period, the share of the Group in the adjusting items of entities accounted for using the equity method amounts to EUR -0.2 million (EUR -0.8 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 – amortisation recognized in H1-2017 before the sale) 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).

Belron

(e) Fair value of fuel hedge instruments amounts to EUR 1.6 million (EUR 5.9 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.

(f) 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 4.5 million (EUR 9.6 million in the prior period). EUR 2.2 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.

(g) 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 0.8 million (EUR 1.0 million in the prior period).

(h) In the period, a total impairment charge of EUR 19.5 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 annual impairment calculation performed on every cash-generating unit.

- An impairment charge of EUR 3.5 million on capitalised IT software costs in the United States following a decision to terminate a project to develop a new supply chain system.

(i) In the period, other *adjusting* items of EUR -18.1 million mainly comprise professional fees (EUR -8.1 million) related to the project to bring a minority partner in the business (see press releases dated 2 May 2017, 19 November 2017, 28 November 2017 and 7 February 2018) and provision costs (EUR -11.4 million) for two settled (Brazil and United Kingdom) and one on-going (United States) legal disputes. In the prior period, other *adjusting* items of EUR -11.2 million mainly comprised EUR -11.8 million related to the closure of the Enfield plant in the United States.

(j) In the period, other *adjusting* items in net finance costs of EUR -48.6 million are accelerated interest, fees and transaction costs related to the refinancing. Belron launched new term loans in Q4 2017 for a total amount of about EUR 1.3 billion. The proceeds were used to refinance the existing US Private Placement (USPP) instruments, reimburse the existing shareholder loans, pay an extraordinary dividend and cover fees and transaction costs.

Adjusted result before tax, Group's share (_adjusted_ PBT, Group's share)

EUR million	2017				2016			
	D'Ieteren Auto	Belron	Mole-skine	Total (segment)	D'Ieteren Auto	Belron	Mole-skine	Total (segment)
Segment reported PBT	**84.6**	**62.4**	**15.2**	**162.2**	**81.1**	**5.3**	**13.2**	**99.6**
Less: *Adjusting* items in PBT	10.4	89.9	-	100.3	-	151.3	-	151.3
Segment _adjusted_ PBT	**95.0**	**152.3**	**15.2**	**262.5**	**81.1**	**156.6**	**13.2**	**250.9**
Less: Share of the group in tax on *adjusted* results of equity-accounted investees	3.2	-	-	3.2	3.1	-	-	3.1
Share of non-controlling interests in *adjusted* PBT	-	-7.8	-	-7.8	-	-8.2	-4.2	-12.4
Segment a_djusted_ PBT, Group's share	**98.2**	**144.5**	**15.2**	**257.9**	**84.2**	**148.4**	**9.0**	**241.6**

Key Performance Indicator (based on _adjusted_ PBT, Group's share)

EUR million	2017				2016			
	D'Ieteren Auto	Belron	Mole-skine	Total (segment)	D'Ieteren Auto	Belron	Mole-skine	Total (segment)
Segment a_djusted_ PBT, Group's share	**98.2**	**144.5**	**15.2**	**257.9**	**84.2**	**148.4**	**9.0**	**241.6**
Excluding:								
Depreciation of non-currents assets (Group's Share)	-	-10.0	-	-10.0	-	-	-	-
Adjusted PBT, Group's share (key performance indicator)	**98.2**	**134.5**	**15.2**	**247.9**	**84.2**	**148.4**	**9.0**	**241.6**

In accordance with the requirements of IFRS 5, the Group has decided not to depreciate the Belron's non-current assets as from the date (28 November 2017) of its classification as held for sale (see press release and consolidated financial statements for more information). The impact in the consolidated income statement is EUR 10.5 million (EUR 10.0 million for the share of the Group) and should be excluded when calculating the FY2017 Key Performance Indicator.

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	31 December 2017				31 December 2016			
	D'Ieteren Auto	Belron	Mole- skine	Total (segment)	D'Ieteren Auto	Belron	Mole- skine	Total (segment)
Non-current loans and borrowings	1.5	1,307.1	130.5	1,439.1	27.5	606.2	126.9	760.6
Current loans and borrowings	0.6	41.2	31.9	73.7	119.8	191.3	47.2	358.3
Inter-segment financing	-152.0	-	152.0	-	-192.8	41.5	151.3	-
Gross debt	**-149.9**	**1,348.3**	**314.4**	**1,512.8**	**-45.5**	**839.0**	**325.4**	**1,118.9**
Less: Cash and cash equivalents	-272.4	-76.4	-25.0	-373.8	-4.0	-45.9	-48.3	-98.2
Less: Held-to-maturity investments	-107.1	-	-	-107.1	-	-	-	-
Less: Other non-current receivables	-20.1	-	-	-20.1	-20.0	-	-	-20.0
Less: Other current receivables	-	-	-	-	-2.2	-	-5.0	-7.2
Total net debt	**-549.5**	**1,271.9**	**289.4**	**1,011.8**	**-71.7**	**793.1**	**272.1**	**993.5**

The inter-segment loans comprise amounts lent by D'Ieteren Auto segment to the Moleskine segment (non-recourse loan in the framework of the acquisition), at arm's length conditions.

The net cash position of the D'Ieteren Auto segment rose by EUR 477.8 million to EUR 549.5 million. This increase is mainly due to the extraordinary dividend (EUR 429 million) that was received from Belron following the issue of new term loans (see below).

Belron's net financial debt rose from EUR 793.1 million at the end of 2016 to EUR 1,271.9 million at the end of 2017. Belron refinancing was completed in November 2017 with the launch of a 7-year Term Loan B facility of USD 1,025 million and EUR 425 million with a 6-year revolving credit facility of EUR 280 million in place. The proceeds of the Term Loan B were used to refinance the US Private Placement (USPP) instruments, reimburse the shareholder loans, pay an extraordinary dividend (approximately EUR453 million) to its shareholders and cover fees and transaction costs related to the refinancing.

s.a. D'Ieteren n.v. Consolidated Financial Statements 2017

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

17 Consolidated Statement Of Profit Or Loss

18 Consolidated Statement Of Comprehensive Income

19 Consolidated Statement Of Financial Position

20 Consolidated Statement Of Changes In Equity

21 Consolidated Statement Of Cash Flows

22 Notes To The Consolidated Financial Statements

GENERAL INFORMATION

22 Note 1: General Information

PERFORMANCE OF THE YEAR

23 Note 2: Segment Information

29 Note 3: Revenue

29 Note 4: Operating Result

30 Note 5: Net Finance Costs

30 Note 6: Earnings per Share

EMPLOYEE BENEFITS

32 Note 7: Share-Based Payments

33 Note 8: Employee Benefits

INCOME TAXES

39 Note 9: Current and Deferred Income Taxes

ASSETS

41 Note 10: Goodwill

44 Note 11: Intangible Assets

45 Note 12: Property, Plant and Equipment

46 Note 13: Investment Property

46 Note 14: Inventories

47 Note 15: Equity-accounted Investees

48 Note 16: Non-Current Assets and Disposal Group Classified as Held for Sale

50 Note 17: Other Investments, Including Derivatives

50 Note 18: Cash and Cash Equivalents

51 Note 19: Trade and Other Receivables

EQUITY AND LIABILITIES

52 Note 20: Capital and Reserves

54 Note 21: Provisions

55 Note 22: Loans and Borrowings

57 Note 23: Trade and Other Payables

FINANCIAL INSTRUMENTS

58 Note 24: Financial Instruments – Fair Value and Risk Management

GROUP STRUCTURE

60 Note 25: Business Combinations

62 Note 26: Relations with Non-Controlling Interests

63 Note 27: List of Subsidiaries, Associates and Joint Ventures

64 Note 28: Discontinued Operations

OTHER INFORMATION

65 Note 29: Contingencies and Commitments

66 Note 30: Related Party Transactions

67 Note 31: Exchange Rates

68 Note 32: Services Provided by the Statutory Auditor

68 Note 33: Subsequent Events

69 Note 34: Accounting Policies

79 **STATUTORY AUDITOR'S REPORT**

82 SUMMARISED STATUTORY FINANCIAL STATEMENTS 2017

Consolidated Statement of Profit or Loss

Year ended 31 December

EUR million	Notes	2017	2016 [1]
Revenue	3	**3,455.1**	**3,166.3**
Cost of sales		-2,985.2	-2,796.5
Gross margin		**469.9**	**369.8**
Commercial and administrative expenses		-374.3	-289.9
Other operating income		5.8	10.5
Other operating expenses	4	-5.1	1.7
Operating result	4	**96.3**	**92.1**
Net finance costs	5	-1.9	-2.4
Finance income		3.6	1.2
Finance costs		-5.5	-3.6
Share of result of equity-accounted investees, net of income tax	15	5.4	4.6
Result before tax		**99.8**	**94.3**
Income tax expense	9	-28.5	-1.4
Result from continuing operations		**71.3**	**92.9**
Discontinued operations	28	43.6	-41.2
RESULT FOR THE PERIOD		**114.9**	**51.7**
Result attributable to:			
Equity holders of the Company		**112.6**	**49.9**
Non-controlling interests ("NCI")		2.3	1.8
Earnings per share			
Basic (EUR)	6	2.05	0.91
Diluted (EUR)	6	2.05	0.91
Earnings per share - Continuing operations			
Basic (EUR)	6	1.30	1.65
Diluted (EUR)	6	1.30	1.64

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information.

The notes on pages 22 to 78 are an integral part of these consolidated financial statements.
The Group uses Alternative Performance Measures (non-GAAP measures) to reflect its financial performance – See consolidated management report and press release.

Consolidated Statement of Comprehensive Income

Year ended 31 December

EUR million	Notes	2017	2016
Result for the period		114.9	51.7
Other comprehensive income			
Items that will never be reclassified to profit or loss:		41.2	-70.4
Re-measurements of defined benefit liabilities/assets	*8*	*60.1*	*-88.6*
Related tax		*-18.0*	*18.2*
Equity-accounted investees - share of OCI (defined benefits, net of tax)	*15*	*-0.9*	*-*
Of which items from discontinued operations		*40.8*	*-59.8*
Items that may be reclassified subsequently to profit or loss:		-20.1	15.7
Translation differences		*-20.7*	*-5.7*
Reclassification of foreign currency difference on loss of control	*28*	*-*	*24.9*
Cash flow hedges: fair value gains (losses) in equity		*0.3*	*-4.0*
Tax relating to cash flow hedges		*0.3*	*0.5*
Of which items from discontinued operations		*-20.4*	*15.4*
Other comprehensive income, net of tax		21.1	-54.7
Total comprehensive income for the period		**136.0**	**-3.0**
being: attributable to equity holders of the Company		*131.9*	*-2.4*
of which continuing operations		*72.0*	*79.6*
of which discontinued operations		*59.9*	*-82.0*
attributable to non-controlling interests ("NCI")		*4.1*	*-0.6*

The notes on pages 22 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December

EUR million	Notes	2017	2016
Goodwill	10	184.2	1,091.2
Intangible assets	11	422.6	876.8
Property, plant & equipment	12	211.3	574.4
Investment property	13	9.0	3.8
Equity-accounted investees	15	69.2	63.8
Available-for-sale financial assets	17	-	0.5
Employee benefits	8	-	0.5
Deferred tax assets	9	19.9	86.3
Other receivables	19	25.6	27.9
Non-current assets		**941.8**	**2,725.2**
Inventories	14	367.7	679.0
Held-to-maturity investments	17	107.1	-
Derivative hedging instruments	17	-	1.0
Derivatives held for trading	17	-	1.2
Other financial assets	17	-	5.0
Current tax assets	9	7.6	7.5
Trade and other receivables	19	46.2	309.0
Cash & cash equivalents	18	297.3	98.2
Assets classified as held for sale	16	2,528.2	5.5
Current assets		**3,354.1**	**1,106.4**
TOTAL ASSETS		**4,295.9**	**3,831.6**
Capital & reserves attributable to equity holders		1,764.3	1,683.0
Non-controlling interests ("NCI")		-3.8	0.5
Equity		**1,760.5**	**1,683.5**
Employee benefits	8	24.4	53.7
Provisions	21	18.9	50.5
Loans & borrowings	22	132.0	760.6
Put options granted to non-controlling interests	26	-	90.0
Other payables	23	1.5	3.0
Deferred tax liabilities	9	135.0	145.1
Non-current liabilities		**311.8**	**1,102.9**
Provisions	21	1.8	36.2
Loans & borrowings	22	32.5	358.3
Derivative hedging instruments	17	-	0.9
Deferred consideration on acquisition of Moleskine SpA	25	-	15.9
Put options granted to non-controlling interests	26	80.9	-
Current tax liabilities	9	1.8	25.0
Trade & other payables	23	112.3	608.9
Liabilities directly associated with the assets held for sale	16	1,994.3	-
Current liabilities		**2,223.6**	**1,045.2**
TOTAL EQUITY AND LIABILITIES		**4,295.9**	**3,831.6**

The notes on pages 22 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

At 31 December

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	-	-	-	-	49.9	-	49.9	1.8	51.7
Other comprehensive income	-	-	-	-3.8	-66.7	18.2	-52.3	-2.4	-54.7
Total comprehensive income for the period	**-**	**-**	**-**	**-3.8**	**-16.8**	**18.2**	**-2.4**	**-0.6**	**-3.0**
Treasury shares	-	-	-3.2	-	-	-	-3.2	-	-3.2
Dividends 2015 paid in 2016	-	-	-	-	-49.2	-	-49.2	-2.4	-51.6
Put options - movements of the period	-	-	-	-	-	-	-	4.8	4.8
Transfer within reserve	-	-	-0.1	-	-1.2	1.3	-	-	-
Other movements	-	-	-	-	1.4	-	1.4	-	1.4
Total contribution and distribution	**-**	**-**	**-3.3**	**-**	**-49.0**	**1.3**	**-51.0**	**2.4**	**-48.6**
Acquisition of NCI without change in control	-	-	-	-	3.1	-	3.1	-3.1	-
Total change in ownership interests	**-**	**-**	**-**	**-**	**3.1**	**-**	**3.1**	**-3.1**	**-**
At 31 December 2016	**160.0**	**24.4**	**-34.3**	**0.1**	**1,556.3**	**-23.5**	**1,683.0**	**0.5**	**1,683.5**
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	-	-	-	-	112.6	-	112.6	2.3	114.9
Other comprehensive income	-	-	-	0.3	39.4	-20.4	19.3	1.8	21.1
Total comprehensive income for the period	**-**	**-**	**-**	**0.3**	**152.0**	**-20.4**	**131.9**	**4.1**	**136.0**
Treasury shares	-	-	-0.3	-	-	-	-0.3	-	-0.3
Dividends paid in 2017 (see note 20)	-	-	-	-	-52.1	-	-52.1	-26.2	-78.3
Put options - movements of the period	-	-	-	-	-	-	-	17.8	17.8
Other movements (see note 7)	-	-	-	-	1.8	-	1.8	-	1.8
Total contribution and distribution	**-**	**-**	**-0.3**	**-**	**-50.3**	**-**	**-50.6**	**-8.4**	**-59.0**
Total change in ownership interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2017	**160.0**	**24.4**	**-34.6**	**0.4**	**1,658.0**	**-43.9**	**1,764.3**	**-3.8**	**1,760.5**

The notes on pages 22 to 78 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December

EUR million	Notes	2017	2016 [1]
Cash flows from operating activities - Continuing			
Result for the period		71.3	92.9
Income tax expense	9	28.5	1.4
Share of result of equity-accounted investees, net of income tax	15	-5.4	-4.6
Net finance costs	5	1.9	2.4
Operating result from continuing operations		**96.3**	**92.1**
Depreciation	4/12	17.8	15.0
Amortisation of intangible assets	4/11	4.1	2.0
Impairment losses on goodwill and other non-current assets		-	0.1
Other non cash items		5.6	-11.4
Employee benefits		-4.5	-0.1
Other cash items		-	-0.5
Change in net working capital		-10.8	68.1
Cash generated from operations		**108.5**	**165.3**
Income tax paid		-23.1	-16.2
Net cash from operating activities		**85.4**	**149.1**
Cash flows from investing activities - Continuing			
Purchase of property, plant and equipment and intangible assets		-35.9	-31.6
Sale of property, plant and equipment and intangible assets		2.7	12.0
Net capital expenditure		**-33.2**	**-19.6**
Acquisition of subsidiaries (net of cash acquired)	25	-16.5	-472.5
Sale of equity-accounted investees	15	2.5	-
Contribution of cash from/(to) joint ventures		2.2	-1.4
Investment in held to maturity financial assets	17	-107.1	59.8
Interest received		0.1	0.5
Dividends received from equity-accounted investees		-	0.3
Net investment in other financial assets		4.5	-0.2
Net cash from investing activities		**-147.5**	**-433.1**
Cash flows from financing activities - Continuing			
Exercice of stock options plans		-	9.8
Net disposal/(acquisition) of treasury shares		-0.3	-3.2
Repayment of finance lease liabilities		-0.1	-0.1
Net change in other loans and borrowings		-116.7	248.6
Interest paid		-5.1	-1.0
Dividends paid by Company	20	-52.1	-49.3
Dividends received from/(paid by) subsidiaries	22	482.5	43.4
Net cash from financing activities		**308.2**	**248.2**
Cash flows from continuing operations		**246.1**	**-35.8**
Cash flows from discontinued operations	1/28	**37.2**	**32.4**
TOTAL CASH FLOW FOR THE PERIOD		**283.3**	**-3.4**
Reconciliation with statement of financial position			
Cash at beginning of period	18	96.7	110.1
Cash equivalents at beginning of period		1.5	0.6
Cash and cash equivalents at beginning of period		**98.2**	**110.7**
Total cash flow for the period		283.3	-3.4
Translation differences		-7.8	-9.1
Cash and cash equivalents at end of period		**373.7**	**98.2**
Included within "Cash and cash equivalents"	*18*	*297.3*	*98.2*
Included within "Non-current assets classified as held for sale"	*16*	*76.4*	-

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information
The notes on pages 22 to 78 are an integral part of these consolidated financial statements.

Notes to the Consolidated 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 20. 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" 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" 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 and homes;
- "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 more than 100 countries.

The Company is listed on Euronext Brussels.

These consolidated financial statements have been authorized for issue by the Board of Directors on 28 February 2018.

Significant transaction

On 2 May 2017, as part of the regular review of its strategic options, the Company announced that it was exploring the potential to bring a minority partner in Belron, the world leader in vehicle glass replacement and repair. D'Ieteren's aim was to remain the majority shareholder while strengthening its investment capacity. The partial sale of Belron shares to a minority partner will 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 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.

On 28 November 2017, the Company announced the signing of a definitive agreement with Clayton, Dubilier and Rice (CD&R) regarding a partnership investment in Belron. The transaction whereby CD&R acquired a 40% stake in Belron closed on 7 February 2018. The Company and Belron's management will retain the remaining 60% ownership interest. The Board of Directors of the Company concluded that, as of balance sheet date, the Group was committed to a sale plan which will involve loss of exclusive control of its subsidiary, and therefore decided to classify all the assets and liabilities of Belron as held for sale in the statement of financial position as at 31 December 2017; the recognition criteria defined in IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" being satisfied. In addition, it has decided to present the 12 months results of the Belron segment as a discontinued operation; the criteria of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" being also satisfied. The consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2016 have been restated accordingly. See notes 16 and 28 of these consolidated financial statements for more information and adequate disclosures.

Belron's results will be included under equity accounting method (54.85% stake; joint control with CD&R) from 2018 onwards following the loss of exclusive control at the closing of the transaction (7 February 2018).

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 decided that, as from 31 December 2016, the APMs are presented in the consolidated management reports and press releases.

NOTE 2: SEGMENT INFORMATION

Note 2.1: Basis of Segmentation

The Group's reportable operating segments are D'Ieteren Auto, Belron and Moleskine.

D'Ieteren Auto includes the automobile distribution activities (see note 1) as well as corporate activities. Belron comprises Belron s.a. and its subsidiaries (see note 1). Moleskine 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.

In order to better reflect its underlying performance and assist investors in gaining a better understanding of its financial performance, the Group also uses Alternative Performance Measures ("APMs"). These APMs are non-GAAP measures, i.e. their definition are not addressed by IFRS. These APMs and the related information are disclosed in the consolidated management report and press release (2017 full-year results).

Note 2.2: Segment Statement of Profit or Loss - Operating Segments (Year ended 31 December)

EUR million	Notes	2017					2016 (1)				
		D'Ieteren Auto	Belron	Mole-skine	Elimi-nations	Group	D'Ieteren Auto	Belron	Mole-skine	Elimi-nations	Group
External revenue	3	3,299.7	3,486.2	155.4	-3,486.2	3,455.1	3,114.2	3,305.4	52.1	-3,305.4	3,166.3
Inter-segment revenue		8.3	-	-	-8.3	-	7.7	-	-	-7.7	-
Segment revenue		**3,308.0**	**3,486.2**	**155.4**	**-3,494.5**	**3,455.1**	**3,121.9**	**3,305.4**	**52.1**	**-3,313.1**	**3,166.3**
Operating result (being segment result)	4	**71.1**	**148.5**	**25.2**	**-148.5**	**96.3**	**77.5**	**41.6**	**14.6**	**-41.6**	**92.1**
Net finance costs	5	8.1	-86.1	-10.0	86.1	-1.9	-1.0	-35.5	-1.4	35.5	-2.4
Finance income		3.4	0.3	0.2	-0.3	3.6	1.1	0.4	0.1	-0.4	1,2
Finance costs		-0.7	-85.5	-5.7	86.4	-5.5	-3.1	-35.5	-0.9	35.9	-3,6
Inter-segment financing interest		5.4	-0.9	-4.5	-	-	1.0	-0.4	-0.6	-	-
Share of result of equity-accounted investees, net of income tax	15	5.4	-	-	-	5.4	4.6	-0.8	-	0.8	4.6
Result before tax		**84.6**	**62.4**	**15.2**	**-62.4**	**99.8**	**81.1**	**5.3**	**13.2**	**-5.3**	**94.3**
Income tax expense	9	-23.4	-18.8	-5.1	18.8	-28.5	2.7	-21.6	-4.1	21.6	-1.4
Result from continuing operations		**61.2**	**43.6**	**10.1**	**-43.6**	**71.3**	**83.8**	**-16.3**	**9.1**	**16.3**	**92.9**
Discontinued operations	28	-	-	-	43.6	43.6	-	-24.9	-	-16.3	-41.2
RESULT FOR THE PERIOD		**61.2**	**43.6**	**10.1**	**-**	**114.9**	**83.8**	**-41.2**	**9.1**	**-**	**51.7**

Attributable to:	D'Ieteren Auto	Belron	Mole-skine	Elimi-nations	Group	D'Ieteren Auto	Belron	Mole-skine	Elimi-nations	Group
Equity holders of the Company	**61.2**	**41.3**	**10.1**	**-**	**112.6**	**83.8**	**-39.9**	**6.0**	**-**	**49.9**
Non-controlling interests	-	2.3	-	-	2.3	-	-1.3	3.1	-	1.8
RESULT FOR THE PERIOD	**61.2**	**43.6**	**10.1**	**-**	**114.9**	**83.8**	**-41.2**	**9.1**	**-**	**51.7**

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information

In both periods, the column "Eliminations" reconciles the segment statement of profit or loss (with Belron presented on all lines as a continuing operation) to the IFRS Group consolidated statement of profit or loss (with Belron presented as a discontinued operation).

NOTE 2: SEGMENT INFORMATION (continued)

Note 2.3: Segment Statement of Financial Position - Operating Segment

EUR million	Notes	31 December 2017				
		D'Ieteren Auto	Belron	Moleskine	Elimi-nations	Group
Goodwill	10	12.3	898.2	171.9	-898.2	184.2
Intangible assets	11	11.5	463.3	411.1	-463.3	422.6
Property, plant & equipment	12	200.7	369.9	10.6	-369.9	211.3
Investment property	13	9.0	-	-	-	9.0
Equity-accounted investees	15	69.2	-	-	-	69.2
Available-for-sale financial assets	17	-	0.5	-	-0.5	-
Derivative hedging instruments	17	-	2.0	-	-2.0	-
Derivatives held for trading	17	-	0.3	-	-0.3	-
Employee benefits	8	-	39.4	-	-39.4	-
Deferred tax assets	9	12.1	45.3	7.8	-45.3	19.9
Other receivables	19	23.2	2.2	2.4	-2.2	25.6
Non-current assets		**338.0**	**1,821.1**	**603.8**	**-1,821.1**	**941.8**
Inventories	14	335.5	300.8	32.2	-300.8	367.7
Held-to-maturity investments	17	107.1	-	-	-	107.1
Derivative hedging instruments	17	-	0.3	-	-0.3	-
Derivatives held for trading	17	-	2.8	-	-2.8	-
Current tax assets	9	0.4	4.7	7.2	-4.7	7.6
Trade and other receivables	19	17.8	309.9	28.4	-309.9	46.2
Cash & cash equivalents	18	272.4	76.4	24.9	-76.4	297.3
Assets classified as held for sale	16	12.2	-	-	2,516.0	2,528.2
Current assets		**745.4**	**694.9**	**92.7**	**1,821.1**	**3,354.1**
TOTAL ASSETS		**1,083.4**	**2,516.0**	**696.5**	**-**	**4,295.9**
Capital & reserves attributable to equity holders		1,764.3	-	-	-	1,764.3
Non-controlling interests ("NCI")		-	-3.8	-	-	-3.8
Equity		**1,764.3**	**-3.8**	**-**	**-**	**1,760.5**
Employee benefits	8	22.6	9.3	1.8	-9.3	24.4
Provisions	21	16.4	37.9	2.5	-37.9	18.9
Loans & borrowings	22	1.5	1,307.0	130.5	-1,307.0	132.0
Inter-segment loan		-152.0	-	152.0	-	-
Other payables	23	-	5.4	1.5	-5.4	1.5
Deferred tax liabilities	9	24.4	10.6	110.6	-10.6	135.0
Non-current liabilities		**-87.1**	**1,370.2**	**398.9**	**-1,370.2**	**311.8**
Provisions	21	-	50.5	1.8	-50.5	1.8
Loans & borrowings	22	0.6	41.2	31.9	-41.2	32.5
Derivative hedging instruments	17	-	2.6	-	-2.6	-
Derivatives held for trading	17	-	0.6	-	-0.6	-
Put options granted to non-controlling interests	26	80.9	-	-	-	80.9
Current tax liabilities	9	1.1	26.5	0.7	-26.5	1.8
Trade & other payables	23	78.0	501.3	34.3	-501.3	112.3
Liabilities directly associated with the assets held for sale	16	1.4	-	-	1,992.9	1,994.3
Current liabilities		**162.0**	**622.7**	**68.7**	**1,370.2**	**2,223.6**
TOTAL EQUITY AND LIABILITIES		**1,839.2**	**1,989.1**	**467.6**	**-**	**4,295.9**

In 2017, the column "Eliminations" reconciles the segment statement of financial position (with assets and liabilities of Belron presented in each relevant line item) to the IFRS Group consolidated statement of financial position (with Belron classified as held for sale).

NOTE 2: SEGMENT INFORMATION (continued)

Note 2.3: Segment Statement of Financial Position - Operating Segments

EUR million	31 December 2016			
	D'Ieteren Auto	Belron	Moleskine	Group
Goodwill	12.3	907.0	171.9	1,091.2
Intangible assets	10.6	457.0	409.2	876.8
Property, plant & equipment	197.8	367.1	9.5	574.4
Investment property	3.8	-	-	3.8
Equity-accounted investees	63.8	-	-	63.8
Available-for-sale financial assets	0.5	-	-	0.5
Employee benefits	-	0.5	-	0.5
Deferred tax assets	29.6	48.1	8.6	86.3
Other receivables	22.6	2.4	2.9	27.9
Non-current assets	**341.0**	**1,782.1**	**602.1**	**2,725.2**
Inventories	341.8	313.2	24.0	679.0
Derivative hedging instruments	-	1.0	-	1.0
Derivatives held for trading	-	1.2	-	1.2
Other financial assets	-	-	5.0	5.0
Current tax assets	0.7	5.0	1.8	7.5
Trade and other receivables	20.8	261.4	26.8	309.0
Cash & cash equivalents	4.0	45.9	48.3	98.2
Assets classified as held for sale	5.5	-	-	5.5
Current assets	**372.8**	**627.7**	**105.9**	**1,106.4**
TOTAL ASSETS	**713.8**	**2,409.8**	**708.0**	**3,831.6**
Capital & reserves attributable to equity holders	1,683.0	-	-	1,683.0
Non-controlling interests ("NCI")	-	0.5	-	0.5
Equity	**1,683.0**	**0.5**	**-**	**1,683.5**
Employee benefits	24.4	27.5	1.8	53.7
Provisions	18.7	31.7	0.1	50.5
Loans & borrowings	27.5	606.2	126.9	760.6
Inter-segment loan	-151.3	-	151.3	-
Put options granted to non-controlling interests	90.0	-	-	90.0
Other payables	-	1.9	1.1	3.0
Deferred tax liabilities	28.1	5.2	111.8	145.1
Non-current liabilities	**37.4**	**672.5**	**393.0**	**1,102.9**
Provisions	-	34.7	1.5	36.2
Loans & borrowings	119.8	191.3	47.2	358.3
Inter-segment loans	-41.5	41.5	-	-
Derivative hedging instruments	-	0.9	-	0.9
Deferred consideration on acquisition of Moleskine SpA	-	-	15.9	15.9
Current tax liabilities	2.0	23.0	-	25.0
Trade & other payables	88.3	489.0	31.6	608.9
Liabilities directly associated with the assets held for sale	-	-	-	-
Current liabilities	**168.6**	**780.4**	**96.2**	**1,045.2**
TOTAL EQUITY AND LIABILITIES	**1,889.0**	**1,453.4**	**489.2**	**3,831.6**

NOTE 2: SEGMENT INFORMATION (continued)

Note 2.4: Segment Statement of Cash Flows - Operating Segments (Year ended 31 December)

EUR million	Notes	2017				
		D'Ieteren Auto	Belron	Mole-skine	Elimi-nations	Group
Cash flows from operating activities - Continuing						
Result for the period		61.2	43.6	10.1	-43.6	71.3
Income tax expense	9	23.4	18.8	5.1	-18.8	28.5
Share of result of equity-accounted investees, net of income tax	15	-5.4	-	-	-	-5.4
Net finance costs	5	-8.1	86.1	10.0	-86.1	1.9
Operating result from continuing operations		**71.1**	**148.5**	**25.2**	**-148.5**	**96.3**
Depreciation	4/12	13.0	83.2	4.8	-83.2	17.8
Amortisation of intangible assets	4/11	2.1	33.3	2.0	-33.3	4.1
Impairment losses on goodwill and other non-current assets	10	-	16.0	-	-16.0	-
Other non-cash items		-1.1	27.7	6.7	-27.7	5.6
Employee benefits		-3.8	-0.4	-0.7	0.4	-4.5
Other cash items		-	-25.6	-	25.6	-
Change in net working capital		-3.1	-9.7	-7.7	9.7	-10.8
Cash generated from operations		**78.2**	**273.0**	**30.3**	**-273.0**	**108.5**
Income tax paid		-10.8	-28.8	-12.3	28.8	-23.1
Net cash from operating activities		**67.4**	**244.2**	**18.0**	**-244.2**	**85.4**
Cash flows from investing activities - Continuing						
Purchase of property, plant and equipment and intangible assets		-23.7	-139.7	-12.2	139.7	-35.9
Sale of property, plant and equipment and intangible assets		0.9	5.0	1.8	-5.0	2.7
Net capital expenditure		**-22.8**	**-134.7**	**-10.4**	**134.7**	**-33.2**
Acquisition of subsidiaries (net of cash acquired)	25	-0.6	-50.2	-15.9	50.2	-16.5
Sale of equity-accounted investees	15	2.5	-	-	-	2.5
Contribution of cash from/(to) joint venture		2.2	-	-	-	2.2
Investment in held-to-maturity financial assets	17	-107.1	-	-	-	-107.1
Interest received		0.1	0.3	-	-0.3	0.1
Net investment in other financial assets		-0.6	0.1	5.1	-0.1	4.5
Net cash from investing activities		**-126.3**	**-184.5**	**-21.2**	**184.5**	**-147.5**
Cash flows from financing activities - Continuing						
Net disposal/(acquisition) of treasury shares		-0.3	-	-	-	-0.3
Repayment of finance lease liabilities		-0.1	-37.4	-	37.4	-0.1
Net change in other loans and borrowings	22	-146.5	651.7	-11.7	-610.2	-116.7
Inter-segment loans		45.3	-41.5	-3.8	-	-
Interest paid		-1.5	-86.6	-3.6	86.6	-5.1
Dividends paid by the Company	20	-52.1	-	-	-	-52.1
Dividends received from/(paid by) subsidiaries	22	482.5	-508.7	-	508.7	482.5
Net cash from financing activities		**327.3**	**-22.5**	**-19.1**	**22.5**	**308.2**
Cash flows from continuing operations		**268.4**	**37.2**	**-22.3**	**-37.2**	**246.1**
Cash flows from discontinued operations	1/28	**-**	**-**	**-**	**37.2**	**37.2**
TOTAL CASH FLOW FOR THE PERIOD		**268.4**	**37.2**	**-22.3**	**-**	**283.3**
Reconciliation with statement of financial position						
Cash at beginning of period	18	2.5	45.9	48.3	-	96.7
Cash equivalents at the beginning of the period		1.5	-	-	-	1.5
Cash and cash equivalents at beginning of period		**4.0**	**45.9**	**48.3**	**-**	**98.2**
Total cash flow for the period		268.4	37.2	-22.3	-	283.3
Translation differences		-	-6.7	-1.1	-	-7.8
Cash and cash equivalents at end of period		**272.4**	**76.4**	**24.9**	**-**	**373.7**
Included within "Cash and cash equivalents	*18*	*272.4*	*0.0*	*24.9*	*-*	*297.3*
Included within "Non-current assets held for sale"	*16*	*-*	*76.4*	*-*	*-*	*76.4*

NOTE 2: SEGMENT INFORMATION (continued)

Note 2.4: Segment Statement of Cash Flows - Operating Segments (Year ended 31 December)

EUR million	2016 [1]				
	D'Ieteren Auto	Belron	Mole-skine	Elimi-nations	Group
Cash flows from operating activities - Continuing					
Result for the period	83.8	-16.3	9.1	16.3	92.9
Income tax expense	-2.7	21.6	4.1	-21.6	1.4
Share of result of equity-accounted investees, net of income tax	-4.6	0.8	-	-0.8	-4.6
Net finance costs	1.0	35.5	1.4	-35.5	2.4
Operating result from continuing operations	**77.5**	**41.6**	**14.6**	**-41.6**	**92.1**
Depreciation	13.6	84.7	1.4	-84.7	15.0
Amortisation of intangible assets	1.7	39.7	0.3	-39.7	2.0
Impairment losses on goodwill and other non-current assets	0.1	133.2	-	-133.2	0.1
Other non-cash items	-12.7	9.9	1.3	-9.9	-11.4
Employee benefits	-	-22.6	-0.1	22.6	-0.1
Other cash items	-	-15.8	-0.5	15.8	-0.5
Change in net working capital	61.4	-16.6	6.7	16.6	68.1
Cash generated from operations	**141.6**	**254.1**	**23.7**	**-254.1**	**165.3**
Income tax paid	-4.8	-15.7	-11.4	15.7	-16.2
Net cash from operating activities	**136.8**	**238.4**	**12.3**	**-238.4**	**149.1**
Cash flows from investing activities - Continuing					
Purchase of property, plant and equipment and intangible assets	-29.2	-121.6	-2.4	121.6	-31.6
Sale of property, plant and equipment and intangible assets	11.9	8.4	0.1	-8.4	12.0
Net capital expenditure	**-17.3**	**-113.2**	**-2.3**	**113.2**	**-19.6**
Acquisition of subsidiaries (net of cash acquired)	-212.5	-22.7	-260.0	22.7	-472.5
Contribution of cash from/(to) joint venture	-1.4	-	-	-	-1.4
Investment in held-to-maturity financial assets	59.8	-	-	-	59.8
Interest received	0.5	0.4	-	-0.4	0.5
Dividends received from equity accounted investees	0.3	-	-	-	0.3
Net investment in other financial assets	-0.2	0.3	-	-0.3	-0.2
Net cash from investing activities	**-170.8**	**-135.2**	**-262.3**	**135.2**	**-433.1**
Cash flows from financing activities - Continuing					
Exercice of stock options plans	-	-	9.8	-	9.8
Net disposal/(acquisition) of treasury shares	-3.2	-	-	-	-3.2
Repayment of finance lease liabilities	-0.1	-32.0	-	32.0	-0.1
Net change in other loans and borrowings	132.7	20.7	137.4	-42.2	248.6
Inter-segment loans	-172.8	21.5	151.3	-	-
Interest paid	-0.8	-35.2	-0.2	35.2	-1.0
Dividends paid by the Company	-49.3	-	-	-	-49.3
Dividends received from/(paid by) subsidiaries	43.4	-45.8	-	45.8	43.4
Net cash from financing activities	**-50.1**	**-70.8**	**298.3**	**70.8**	**248.2**
Cash flows from continuing operations	**-84.1**	**32.4**	**48.3**	**-32.4**	**-35.8**
Cash flows from discontinued operations	**-**	**-**	**-**	**32.4**	**32.4**
TOTAL CASH FLOW FOR THE PERIOD	**-84.1**	**32.4**	**48.3**	**-**	**-3.4**

Reconciliation with statement of financial position					
Cash at beginning of period	88.1	22.0	-	-	110.1
Cash equivalents at the beginning of the period	-	0.6	-	-	0.6
Cash and cash equivalents at beginning of period	**88.1**	**22.6**	**-**	**-**	**110.7**
Total cash flow for the period	-84.1	32.4	48.3	-	-3.4
Translation differences	-	-9.1	-	-	-9.1
Cash and cash equivalents at end of period	**4.0**	**45.9**	**48.3**	**-**	**98.2**
Included within "Cash and cash equivalents	*4.0*	*45.9*	*48.3*	-	*98.2*
Included within "Non-current assets held for sale"	-	-	-	-	-

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information

NOTE 2: SEGMENT INFORMATION (continued)

Note 2.4: Segment Statement of Cash Flows - Operating Segments (Year ended 31 December)

In 2017 and 2016, the column "Eliminations" reconciles the segment statement of cash flows (with Belron presented as a continuing operation) to the IFRS Group consolidated statement of cash flows (with Belron presented as a discontinued operation).

In the Belron segment, the line "Acquisition of subsidiaries" for the year ended 31 December 2017 include, among other transactions, the business combinations disclosed in note 25. In the Moleskine segment, the EUR 15.9 million represents the acquisition of the remaining non-controlling interests in January 2017 (squeeze-out procedure – see note 11 of the 2016 consolidated financial statements for more information).

In 2017 and 2016, in the Belron segment, the line "Other non-cash items" included, among other amounts, the provisions for long term management incentive program, and the line "Other cash items" included, among other amounts, the cash outflow related to the restructurings announced.

In 2016, in the Belron segment, the line "Employee benefits" included, among other amounts, the cash employer contribution related to the termination of the defined benefit scheme in the United States.

In 2017, in the Belron segment, the line "Net capital expenditure" does not comprise new finance leases of EUR 40.8 million. These are comprised in the line "Additions" in notes 11 and 12.

In 2017, in the Moleskine segment, the line "Net investments in other financial assets" includes the proceeds from the sale of a life insurance product started end of 2015 (see note 17).

In 2017 and 2016, the inter-segment loans represent amounts lent by the D'Ieteren Auto segment to the Belron and Moleskine segments, at arm's length conditions.

In 2017, in the Belron segment, the line "interest paid" includes the refinancing fees and make whole costs (EUR -48.6 million) for the early reimbursement of the USPPs (see note 22).

In 2017, the line "Dividends received from/(paid by) subsidiaries" includes the extraordinary dividend paid by Belron to its shareholders in the framework of its refinancing (see note 22), despite the fully elimination of this intragroup transaction in accordance with IFRS 10.

In 2016, in the Moleskine segment, the line "Exercice of stock options plans" included the cash inflow related to the exercice by employees of stock options (2016-2020 Stock Option Plan launched in April 2016 that became vested in advance due to the change of control in relation with the acquisition by the Company).

Note 2.5: Geographical Segment Information (Year ended 31 December)

The Group's two operating segments (under continuing operations, being D'Ieteren Auto and Moleskine) operate in three main geographical areas, being Belgium (main market for the D'Ieteren Auto segment), the rest of Europe and the rest of the world.

EUR million	2017				2016 (1)			
	Belgium	Rest of Europe	Rest of the world	Group	Belgium	Rest of Europe	Rest of the world	Group
Segment revenue from external customers (2)	3,106.9	250.4	97.8	3,455.1	2,931.7	200.9	33.7	3,166.3
Non-current assets (3)	336.3	597.0	6.8	940.1	341.0	591.6	10.5	943.1

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information

(2) Based on the geographical location of the customers.

(3) Non-current assets, as defined by IFRS 8, consists of goodwill, intangible assets, property, plant and equipment, investment property and non-current other receivables.

NOTE 3: REVENUE

EUR million	2017	2016 (1)
New vehicles	2,905.1	2,731.8
Used cars	66.3	53.9
Spare parts and accessories	183.8	185.4
After-sales activities by D'Ieteren Car Centers	82.3	83.3
D'Ieteren Sport	28.1	28.0
Rental income under buy-back agreements	5.2	5.0
Other revenue	28.9	26.8
Subtotal D'Ieteren Auto	**3,299.7**	**3,114.2**
Subtotal Moleskine	**155.4**	**52.1**
REVENUE (EXTERNAL)	**3,455.1**	**3,166.3**
of which: sales of goods	*3,338.7*	*3,051.1*
rendering of services	*116.4*	*115.0*
royalties	-	*0.2*

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information

Interest income and dividend income (if any) are presented among net finance costs (see note 5).

NOTE 4: OPERATING RESULT

Operating result is stated after charging:

EUR million	2017			2016 (1)		
	D'Ieteren Auto	Moleskine	Group	D'Ieteren Auto	Moleskine	Group
Purchases and changes in inventories	-2,829.3	-29.1	-2,858.4	-2,655.8	-12.5	-2,668.3
Depreciation	-13.0	-4.8	-17.8	-13.6	-1.4	-15.0
Amortisation	-2.1	-2.0	-4.1	-1.7	-0.3	-2.0
Impairment on tangible assets	-	-	-	-0.1	-	-0.1
Other operating lease rentals	-0.1	-0.2	-0.3	-	-	-
Write-down on inventories	1.7	-2.2	-0.5	1.3	-0.5	0.8
Employee benefit expenses (see note 8)	-173.1	-28.1	-201.2	-163.7	-6.2	-169.9
Bad and doubtful debts	2.2	-0.1	2.1	3.6	-0.2	3.4
Gain on sale of property, plant and equipment	0.4	-	0.4	4.6	-	4.6
Loss on sale of property, plant and equipment	-	-	-	-0.2	-	-0.2
Rental income from investment property (2)	1.5	-	1.5	1.4	-	1.4
Sundry (3)	-216.8	-63.7	-280.5	-212.5	-16.4	-228.9
NET OPERATING EXPENSES	**-3,228.6**	**-130.2**	**-3,358.8**	**-3,036.7**	**-37.5**	**-3,074.2**

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information
(2) The full amount is related to investment property that generated rental income.
(3) Mainly relates to marketing and IT costs, legal and consultancy fees.

In 2016, the gains on sale of property, plant and equipment mainly relate to buildings previously used for automobile distribution activities.

The contribution of Moleskine in the net operating expenses in 2017 was of twelve months, against three months in 2016.

NOTE 5: NET FINANCE COSTS

Net finance costs are broken down as follows:

EUR million	2017			2016 [1]		
	D'Ieteren Auto	Moleskine	Group	D'Ieteren Auto	Moleskine	Group
Finance costs:						
Interest expense	-1.5	-3.5	-5.0	-1.6	-0.2	-1.8
Interest costs on pension	-0.2	-	-0.2	-0.1	-	-0.1
Other financial charges	0.2	-2.2	-2.0	-0.1	-0.7	-0.8
Subtotal finance costs	-1.5	-5.7	-7.2	-1.8	-0.9	-2.7
Re-measurements of put options granted to non-controlling interests (see note 26)	1.7	-	1.7	-0.9	-	-0.9
Finance income	3.4	0.2	3.6	1.1	0.1	1.2
Inter-segment financing interest	4.5	-4.5	-	0.6	-0.6	-
NET FINANCE COSTS	**8.1**	**-10.0**	**-1.9**	**-1.0**	**-1.4**	**-2.4**

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information

In 2017 and 2016, in the D'Ieteren Auto segment, the line "Other financial charges" include the inter-segment financing interests (EUR 0.9 million in 2017; EUR 0.4 million in 2016) on the loans granted by the D'Ieteren Auto segment to the Belron segment, to allow the Belron segment to be presented as a discontinued operation in the consolidated statement of profit or loss. These loans, at arm's length conditions, were fully reimbursed in November 2017 in the framework of the refinancing of Belron (see note 16).

In 2017, in the D'Ieteren Auto segment, finance income includes the consolidated gain on the sale of the joint venture OTA Keys s.a. for EUR 2.9 million (see note 15).

The contribution of Moleskine in the net finance costs in 2017 was of twelve months, against three months in 2016.

NOTE 6: EARNINGS PER SHARE

Earnings per share ("EPS") and earnings per share from continuing operations ("Continuing EPS") are shown 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 weighted average number of ordinary shares in issue for the period is shown in the table below.

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 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.

NOTE 6: EARNINGS PER SHARE (continued)

The computation of basic and diluted EPS is set out below:

		2017	2016 [1]
Result for the period attributable to equity holders		112.6	49.9
Adjustment for participating shares		-1.3	-0.6
Numerator for EPS (EUR million)	(a)	111.3	49.3
Result from continuing operations		71.3	92.9
Share of non-controlling interests in result from continuing operations		-	-2.5
Result from continuing operations attributable to equity holders		71.3	90.4
Adjustment for participating shares		-0.8	-1.1
Numerator for continuing EPS (EUR million)	(b)	70.5	89.3
Weighted average number of ordinary shares outstanding during the period	(c)	54,209,166	54,223,534
Adjustment for stock option plans		216,168	120,853
Weighted average number of ordinary shares taken into account for diluted EPS	(d)	54,425,334	54,344,387
Result for the period attributable to equity holders			
Basic EPS (EUR)	**(a)/(c)**	**2.05**	**0.91**
Diluted EPS (EUR)	**(a)/(d)**	**2.05**	**0.91**
Result from continuing operations attributable to equity holders			
Basic continuing EPS (EUR)	(b)/(c)	1.30	1.65
Diluted continuing EPS (EUR)	(b)/(d)	1.30	1.64

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information

NOTE 7: 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 D'Ieteren Auto 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.

Options outstanding are as follows:

Date of grant	Number of options (in units)		Exercise price	Exercise period	
	2017	2016	(EUR)	From	To
2017	160,000	-	41.80	1/01/2021	13/03/2027
2016	10,000	10,000	38.09	1/01/2020	16/11/2026
2016	135,000	135,000	31.71	1/01/2020	13/03/2026
2016	79,000	79,000	31.71	1/01/2020	13/03/2026
2016	98,000	98,000	28.92	1/01/2020	21/01/2026
2015	95,000	95,000	32.10	1/01/2019	12/03/2025
2015	63,352	63,352	32.10	1/01/2019	12/03/2025
2014	122,091	122,091	33.08	1/01/2018	10/03/2024
2013	37,450	65,250	34.99	1/01/2017	24/11/2023
2013	23,036	89,361	34.23	1/01/2017	18/03/2023
2012	39,100	52,400	36.45	1/01/2016	14/10/2022
2011	74,275	131,836	35.00	1/01/2015	22/12/2021
2010	43,630	55,977	39.60	1/01/2014	3/10/2020
2009	20,350	23,600	24.00	1/01/2013	27/10/2019
2008	15,855	20,505	12.10	1/01/2012	5/11/2018
2007	16,350	28,120	26.40	1/01/2011	2/12/2022
2006	9,900	14,800	26.60	1/01/2010	27/11/2021
2005	10,050	10,800	20.90	1/01/2009	6/11/2020
2004	3,150	3,150	14.20	1/01/2008	28/11/2019
2003	3,300	3,450	16.34	1/01/2007	16/11/2018
Total	**1,058,889**	**1,101,692**			

All outstanding options are covered by treasury shares (see note 20).

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

	Number (in units)		Weighted average exercise price (EUR)	
	2017	2016	2017	2016
Outstanding options at the beginning of the period	1,101,692	1,041,624	32.2	31.8
Granted during the period	160,000	322,000	41.8	32.6
Exercised during the period	-202,803	-261,932	33.7	29.3
Outstanding options at the end of the period	**1,058,889**	**1,101,692**	**33.4**	**32.2**
of which: exercisable at the end of the period	*296,446*	*344,638*	*32.2*	*32.0*

In 2017, a large part of the options were exercised during the first and second quarters of the period. The average share price during the period was EUR 40.90 (2016: EUR 37.86).

For share options outstanding at the end of the period, the weighted average remaining contractual life is as follows:

	Number of years
31 December 2017	**6.7**
31 December 2016	7.0

NOTE 7: SHARE-BASED PAYMENTS (continued)

IFRS 2 "Share-Based Payments" requires that the fair value of all share options issued after 7 November 2002 is charged to the income statement (EUR 1.9 million during the period). The fair value of the options must be assessed on the date of each issue. A simple Cox valuation model was used at each issue date re-assessing the input assumptions on each occasion. The assumptions for the 2017 and 2016 issues were as follows:

	2017	2016			
Number of employees	8	155	1	7	9
Spot share price (EUR)	43.0	39.0	38.1	39.0	28.6
Option exercise price (EUR)	41.8	31.7	38.1	31.7	28.9
Vesting period (in years)	3.0	3.0	3.0	3.0	3.0
Expected life (in years)	6.5	6.5	6.5	6.5	6.5
Expected volatility (in %)	34%	29%	30%	29%	31%
Risk free rate of return (in %)	0.72%	0.21%	0.51%	0.21%	0.36%
Expected dividend (EUR)	0.8	0.7	0.6	0.7	0.7
Probability of ceasing employment before vesting (in %)	0%	0%	0%	0%	0%
Weighted average fair value per option (EUR)	14.4	12.4	11.4	12.4	6.7

Expected volatility and expected dividends were provided by an independent expert. The risk free rate of return is based upon EUR zero-coupon rates with an equivalent term to the options granted.

NOTE 8: EMPLOYEE BENEFITS

Note 8.1: Employee benefit expense

The employee benefit expense is analysed below:

EUR million	2017			2016 (1)		
	D'Ieteren Auto	Moleskine	Group	D'Ieteren Auto	Moleskine	Group
Retirement benefit charges under Belgian defined contribution schemes considered as defined benefit schemes	*-4.4*	*-*	*-4.4*	*-4.8*	*-*	*-4.8*
Retirement benefit charges under defined benefit schemes	*0.7*	*-0.7*	*-*	*-1.2*	*-0.2*	*-1.4*
Total retirement benefit charge (see note 8.2)	-3.7	-0.7	-4.4	-6.0	-0.2	-6.2
Wages, salaries and social security costs	-167.5	-27.4	-194.9	-156.2	-6.0	-162.2
Share-based payments: equity-settled	-1.9	-	-1.9	-1.5	-	-1.5
Total employee benefit expense	**-173.1**	**-28.1**	**-201.2**	**-163.7**	**-6.2**	**-169.9**

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information.

The contribution of Moleskine in total employee benefit expense in 2017 was of twelve months, against three months in 2016.

The staff numbers are set out below (average full time equivalents):

	2017	2016 (1)
D'Ieteren Auto	1,794	1,610
Moleskine	434	398
Group	**2,228**	**2,008**

(1) As restated.

NOTE 8: EMPLOYEE BENEFITS (continued)

Note 8.2: Post-employment and long-term employee benefits

Long-term employee benefits include post-employment employee benefits and other long-term employee benefits. Post-employment employee benefits are analysed below. Other long-term employee benefits are presented among non-current provisions or non-current other payables, and, if material, separately disclosed in the relevant note.

Post-employment benefits are limited to retirement benefit schemes. Where applicable, Group entities contribute to the relevant state pension schemes. Certain Group entities operate schemes which provide retirement benefits, including those of the defined benefit type, which are in most cases funded by investments held outside the Group.

The Group has established pension schemes for its employees in various locations. The major schemes are located in Belgium, the United Kingdom, Canada, Italy and, up until 31 December 2016, the United States. The schemes in Belgium relate to the D'Ieteren Auto segment and are funded and unfunded. The main scheme in Italy relates to the Moleskine segment. All the others concern the Belron segment and are mainly funded. Independent actuarial valuations for the plans in these countries are performed as required. The Group is and has always been fully compliant with all local governance and funding requirements.

The overall investment policy and strategy for the Group's defined benefit schemes is guided by the objective of achieving an investment return, which together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The investment strategies for the plans are managed under local laws and regulations in each jurisdiction. The actual asset allocation is determined by the current and expected economic and market conditions and in consideration of specific asset class risk and risk profile. In addition consideration is given to the maturity profile of scheme liabilities. There are no asset-liability matched assets at 31 December 2017.

The Group operates one defined benefit scheme in Belgium that was closed to new members in 2005. The retirement capital plan accrues a percentage of annual salary inflated to the point of retirement subject to a maximum of 4.0%. A full actuarial valuation of the plan was carried out in December 2016 by a qualified independent actuary. Full IAS19 measurements are carried out every three years and roll-forwards are performed in the meantime.

The Group operates one defined benefit scheme in the United Kingdom that was closed to new members in 2003 and 2011. The retirement capital plan accrues a percentage of annual salary inflated to the point of retirement subject to a maximum of 5%. In May 2015, these two schemes were closed to future accrual. All current members were transferred to defined contribution arrangements. A full actuarial valuation of the UK Plan was carried out as at 31 March 2014 and updated to 31 December 2017 by a qualified independent actuary. Funding valuations are carried out every three years which determine the contribution requirement to the Plan. The pension plan is governed by a set of trustees, some of who are appointed by the Group and some by the members.

The Group operates several defined benefit schemes in Canada. Two of these plans are closed to new members. The last full actuarial valuations of all these plans were last carried out as at 31 December 2015. All of these valuations were updated to 31 December 2017 by a qualified independent actuary. A full valuation of the plans is carried out every three years.

The Group had operated one defined benefit scheme in the United States. The plan had been acquired in 2007 and has been closed to future accrual. A full valuation was carried out by a qualified independent actuary on 31 December 2013. This was updated up to the point of sale by a qualified independent actuary. The pension plan was terminated with the remaining liabilities being settled by an employer contribution of EUR 20.6 million in December 2016. There are no further obligations under the old arrangements.

The Group recognises all actuarial gains and losses directly in the Consolidated Statement of Comprehensive Income.

NOTE 8: EMPLOYEE BENEFITS (continued)

Note 8.2: Post-employment and long-term employee benefits (continued)

The main actuarial assumptions are as follows (ranges are provided given the plurality of schemes operated throughout the Group):

	Funded schemes				Unfunded schemes			
	2017		2016		2017		2016	
	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Inflation rate	1.5%	3.4%	1.5%	3.6%	n.s.	n.s.	n.s.	n.s.
Discount rate	1.3%	3.2%	1.0%	3.3%	n.s.	n.s.	n.s.	n.s.
Rate of salary increases	2.0%	5.3%	1.0%	5.3%	2.0%	2.0%	2.0%	2.0%
Rate of pension increases	1.9%	3.4%	1.8%	3.4%	2.0%	2.0%	2.0%	2.0%
Life expectancy of male pensioner	18.6	44.7	22.5	44.7				
Life expectancy of female pensioner	22.0	46.4	26.3	46.4				
Life expectancy of male non-pensioner	18.6	22.6	21.1	23.0				
Life expectancy of female non-pensioner	22.0	24.1	24.0	24.6				

The weighted average duration of the liabilities across the plans ranges from 10 to 24 years.

The tables below do not include the 2017 figures of the Belron segment; the assets and liabilities of the Belron segment being classified as held for sale in the statement of financial position at 31 december 2017 (see note 1 and 16 for more information).

The amounts recognised in the statement of financial position are summarised as follows, depending on the net position of each pension scheme:

EUR million	2017	2016
Long-term employee benefit assets	-	0.5
Long-term employee benefit obligations	-24.4	-53.7
Recognised net deficit (-) / surplus (+) in the schemes	**-24.4**	**-53.2**
of which: amount expected to be settled within 12 months	*-0.3*	*-0.2*
amount expected to be settled in more than 12 months	*-24.1*	*-53.0*

For all schemes, the amounts recognised in the statement of financial position are analysed as follows:

EUR million	2017			2016		
	Funded schemes	Unfunded schemes	Total	Funded schemes	Unfunded schemes	Total
Present value of defined benefit obligations	-91.4	-3.3	-94.7	-613.0	-7.7	-620.7
Fair value of scheme assets	70.3	-	70.3	567.5	-	567.5
Net deficit (-) / surplus (+) in the schemes	**-21.1**	**-3.3**	**-24.4**	**-45.5**	**-7.7**	**-53.2**

The amounts recognised through the statement of comprehensive income are as follows:

EUR million	2017			2016		
	Funded schemes	Unfunded schemes	Total	Funded schemes	Unfunded schemes	Total
Actual return less interest return on pension assets net of asset management charges	52.3	-	52.3	120.7	-	120.7
Experience gain (+) / loss (-) on liabilities	20.7	-	20.7	8.2	-	8.2
Gain (+) / Loss (-) on change of financial assumptions	-26.8	-	-26.8	-218.4	-	-218.4
Gain (+) / Loss (-) on change of demographic assumptions	13.9	-	13.9	0.9	-	0.9
Actuarial gains (+) / losses (-)	**60.1**	**-**	**60.1**	**-88.6**	**-**	**-88.6**

NOTE 8: EMPLOYEE BENEFITS (continued)

Note 8.2: Post-employment and long-term employee benefits (continued)

Changes to financial assumptions during 2017, all of which were prepared on a consistent basis to prior period, impacted the total actuarial gains (+) / losses (-) by EUR -26.8 million (2016: EUR -218.4 million, of which EUR -129 million related to the UK defined benefit scheme; the economic uncertainty following the Brexit vote had a significant impact on the discount rate used for the UK plan). In 2016, EUR 80 million also related to the belgian defined contribution plan (considered under IFRS as defined benefit plan – see below). In 2016, the increase in the actual return less interest return on pension assets was partially explained by the fair value of the plan assets (EUR 63 million) related to the belgian defined contribution plan (considered under IFRS as defined benefit plan – see below).

The cumulative amount of actuarial gains and losses (group's share) recognised in the consolidated statement of comprehensive income is a loss of EUR 57 million (in 2016 a loss of EUR 112 million).

The fair value of scheme assets includes the following items:

EUR million	2017			2016		
	Quoted in an active market	Other	Total	Quoted in an active market	Other	Total
Equity instruments	-	-	-	242.4	-	242.4
Government bonds	-	-	-	150.4	-	150.4
Non-government bonds	-	-	-	50.0	-	50.0
Property	-	-	-	0.3	-	0.3
Other assets	70.3	-	70.3	124.4	-	124.4
Fair value of scheme assets	**70.3**	**-**	**70.3**	**567.5**	**-**	**567.5**

The fair value of scheme assets does not comprise any property or other assets used by the Group, nor any financial instruments of the Group. All equity and debt instruments have quoted prices in active markets and are of high investment quality. Other assets are mainly composed of cash.

The movements in the fair value of plan assets are as follows:

EUR million	2017			2016		
	Funded schemes	Unfunded schemes	Total	Funded schemes	Unfunded schemes	Total
Scheme assets at 1 January	**567.5**	**-**	**567.5**	**547.1**	**-**	**547.1**
Employer contribution	5.2	-	5.2	22.5	-	22.5
Interest on pension assets	14.2	-	14.2	19.1	-	19.1
Contributions paid by employees	1.6	-	1.6	-	-	-
Benefits paid	-20.5	-	-20.5	-79.7	-	-79.7
Actual return less interest return on pension assets	53.6	-	53.6	122.0	-	122.0
Costs of managing the pension assets	-1.3	-	-1.3	-1.3	-	-1.3
Administrative costs	-1.5	-	-1.5	-1.6	-	-1.6
Group changes	-0.5	-	-0.5	-	-	-
Translation differences	-22.2	-	-22.2	-60.6	-	-60.6
Reclassification to non-current assets held for sale (see note 16)	-525.8	-	-	-	-	-
Scheme assets at 31 December	**70.3**	**-**	**70.3**	**567.5**	**-**	**567.5**

The actual return on scheme assets is as follows:

EUR million	2017	2016
Interest return on pension assets	14.2	19.1
Actual return less interest return on pension assets	53.6	122.0
Costs of managing the pension assets	-1.3	-1.3
Actual net return on pension assets	**66.5**	**139.8**

NOTE 8: EMPLOYEE BENEFITS (continued)

Note 8.2: Post-employment and long-term employee benefits (continued)

The movements in the present value of defined benefit obligations are as follows:

EUR million	2017			2016		
	Funded schemes	Unfunded schemes	Total	Funded schemes	Unfunded schemes	Total
Defined benefit obligations at 1 January	**-613.0**	**-7.7**	**-620.7**	**-518.7**	**-7.3**	**-526.0**
Current service cost	-6.4	0.9	-5.5	-1.2	-1.1	-2.3
Interest payable on pension liabilities	-15.1	-	-15.1	-18.1	-	-18.1
Benefits paid	21.1	-	21.1	80.1	-	80.1
Contribution paid by employees	-1.6	-	-1.6	-	-	-
Experience gain (+) / loss (-) on liabilities	20.7	-	20.7	8.0	-	8.0
Gain (+) / Loss (-) arising from changes to financial assumptions	-26.8	-	-26.8	-218.4	-	-218.4
Gain (+) / Loss (-) arising from changes to demographic assumptions	13.9	-	13.9	0.9	-	0.9
Curtailment and settlements	-	-	-	-	0.7	0.7
Group change	0.7	-	0.7	-2.0	-	-2.0
Administrative costs	0.6	-	0.6	-	-	-
Translation differences	22.3	-	22.3	56.4	-	56.4
Reclassification to liabilities directly associated with non-current assets held for sale (see note 16)	492.2	3.5	495.7	-	-	-
Defined benefit obligations at 31 December	**-91.4**	**-3.3**	**-94.7**	**-613.0**	**-7.7**	**-620.7**

The amounts recognised in the statement of profit or loss are as follows:

EUR million	2017			2016		
	Funded schemes	Unfunded schemes	Total	Funded schemes	Unfunded schemes	Total
Current service cost	-5.2	0.9	-4.3	-0.3	-1.1	-1.4
Administrative costs	-0.1	-	-0.1	-	-	-
Pension costs within the current operating result	**-5.3**	**0.9**	**-4.4**	**-0.3**	**-1.1**	**-1.4**
Interest payable on pension liabilities	-1.1	-	-1.1	-0.1	-	-0.1
Interest return on pension assets	0.9	-	0.9	0.1	-	0.1
Net pension interest cost	**-0.2**	**-**	**-0.2**	**-**	**-**	**-**
Expenses classified as discontinued operations (Belron)	-2.7	-	-2.7	-1.5	-	-1.5
Expense recognised in the statement of profit or loss	**-8.2**	**0.9**	**-7.3**	**-1.8**	**-1.1**	**-2.9**
of which: Current service costs	*-6.4*	*0.9*	*-5.5*	*-1.2*	*-1.1*	*-2.3*
Administrative costs	*-0.9*	-	*-0.9*	*-1.6*	-	*-1.6*
Interest payable on pension liabilities	*-15.1*	-	*-15.1*	*-18.1*	-	*-18.1*
Interest return on pension assets	*14.2*	-	*14.2*	*19.1*	-	*19.1*

The best estimate of normal contributions expected to be paid to the schemes during the 2018 annual period is EUR 5 million.

The obligation of defined benefit schemes is calculated on the basis of a set of actuarial assumptions (including among others: mortality, discount rate of future payments, salary increases, personnel turnover, etc.). Should these assumptions change in the future, the obligation may increase. The defined benefit scheme assets are invested in a diversified portfolio, with a return that is likely to experience volatility in the future. Should the return of these assets be insufficient, the deficit might increase (the surplus might decrease).

NOTE 8: EMPLOYEE BENEFITS (continued)

Note 8.2: Post-employment and long-term employee benefits (continued)

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation at 31 December 2017 would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. The sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability in its entirety, the measurement of which is driven by a number of factors including, in addition to the assumptions below, the fair value of plan assets.

EUR million	(Increase) / decrease in defined benefit obligation at 31 December 2017	(Increase) / decrease in defined benefit obligation at 31 December 2016
Discount rate		
Increase by 50 basis points	53.8	55.5
Decrease by 50 basis points	-63.3	-65.2
Rate of salary increase		
Increase by 50 basis points	-7.4	-8.9
Decrease by 50 basis points	6.5	9.0
Inflation rate		
Increase by 50 basis points	-22.3	-18.1
Decrease by 50 basis points	20.0	14.5
Rate of pension increase		
Increase by 50 basis points	-20.3	-22.3
Decrease by 50 basis points	20.3	22.3
Life expectancy		
Increase in longevity by one additional year	-16.0	-17.8

The sensitivity analyses include the Belron segment and are based on a change in one assumption while holding all other assumptions constant so that interdependencies between the assumptions are excluded.

There is a pension plan in Belgium legally structured as defined contribution plan. Because of the Belgian social legislation applicable, all Belgian defined contribution plans are considered under IFRS as defined benefit plan because the employer must guarantee a minimum return on employee and employer contributions. The Group is therefore exposed to a financial risk (legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits).

The plan is insured at an insurance company. The insurance company guarantees a minimum rate of return on the contributions paid. However, the minimum guaranteed rates have dropped significantly the last years and are currently below the social minimum return borne by the employer on the contributions (according to article 24 of the Law of 28 April 2003 on occupational pensions, the Group has to guarantee an average minimum return of 3.75% on employee contributions and of 3.25% on employer contributions paid up to 31 December 2015). The financial risk has therefore increased. The Belgian law of 18 December 2015 entered into effect on 1 January 2016 and amended, inter alia, the calculation of the minimum return guaranteed by law (minimum of 1.75% and maximum of 3.75%).

The IFRS valuation and accounting of this kind of plan with contribution-based promises are not envisaged by IAS 19. Taking into account the change in the pension law and the current consensus on this specific matter, and after analysis of the pension plan, the Group now considers that a method based on the IAS 19 methodology ("Projected unit credit" method used for defined benefit plan) is appropriate to measure the liability in the Belgian context as from 2016 onwards. The present value of the defined benefit obligation amounts to EUR 82.0 million (2016: EUR 80.5 million). The calculation is based on the "Projected unit credit" method with projection of the future contributions and services pro-rate for the employer contract and without projection of the future contributions for the employee contract. The fair value of the scheme assets amounts to EUR 66.0 million (2016: EUR 63.4 million) and is set equal to the contractual assets held by the insurance company (no application of paragraph 115 of IAS 19). The net deficit amounts to EUR 16.0 million (2016: EUR 17.1 million). In 2016, the net deficit of EUR 17.1 million was recognized directly in equity throughout the Consolidated Statement of Comprehensive Income (actuarial loss).

NOTE 9: CURRENT AND DEFERRED INCOME TAXES

Note 9.1: Income tax expenses

Income tax expense is broken down as follows:

EUR million	2017			2016 (1)		
	D'Ieteren Auto	Moleskine	Group	D'Ieteren Auto	Moleskine	Group
Current year income tax	-10.2	-6.4	-16.6	-5.0	-3.4	-8.4
Prior year income tax	-	-0.1	-0.1	-	-	-
Movement in deferred taxes	-13.2	1.4	-11.8	7.7	-0.7	7.0
Income tax expense	**-23.4**	**-5.1**	**-28.5**	**2.7**	**-4.1**	**-1.4**

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information

The relationship between income tax expense and accounting profit is explained below:

EUR million	2017			2016 (1)		
	D'Ieteren Auto	Moleskine	Group	D'Ieteren Auto	Moleskine	Group
Result before taxes	84.6	15.2	99.8	81.1	13.2	94.3
Tax at the Belgian corporation tax rate of 33.99%	-28.8	-5.2	-34.0	-27.6	-4.5	-32.1
Reconciling items (see below)	5.4	0.1	5.5	30.3	0.4	30.7
Actual tax on result before taxes	**-23.4**	**-5.1**	**-28.5**	**2.7**	**-4.1**	**-1.4**

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information

The reconciling items are provided below:

EUR million	2017			2016 (1)		
	D'Ieteren Auto	Moleskine	Group	D'Ieteren Auto	Moleskine	Group
Result before taxes	84.6	15.2	99.8	81.1	13.2	94.3
Tax at the Belgian corporation tax rate of 33.99%	-28.8	-5.2	-34.0	-27.6	-4.5	-32.1
Rate differential	-	-0.4	-0.4	-	0.7	0.7
Permanent differences	-0.3	1.6	1.3	7.4	0.6	8.0
Utilisation of tax credits previously unrecognised	19.5	-	19.5	10.0	-	10.0
Other temporary differences	-2.9	-0.2	-3.1	-0.6	-	-0.6
Adjustments in respect of prior years	-	-0.1	-0.1	-	-	-
Deferred tax assets not recognised	-1.2	-	-1.2	-2.3	-0.2	-2.5
Recognition of previously unrecognised deferred tax assets	-	-	-	14.4	-0.7	13.7
Impact of dividends	-12.4	-	-12.4	-	-	-
Joint venture and associate	1.8	-	1.8	1.6	-	1.6
Other	0.9	-0.8	0.1	-0.2	-	-0.2
Actual income tax on PBT	**-23.4**	**-5.1**	**-28.5**	**2.7**	**-4.1**	**-1.4**

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information

The Group's consolidated effective tax rate for the twelve months ended 31 December 2017 is 28.6% (twelve months ended 31 December 2016: 1.5%, as restated following the classification of the Belron segment as a discontinued operation.). The increase in effective tax rate is primarily the result of the increase in current year income tax and of the movement in deferred taxes (utilisation of deferred taxes assets on unused tax losses and credits in 2017 vs recognition in 2016). The effective tax rate for all three segments together (despite the classification as continuing and as discontinued operations) for the twelve months ended 31 December 2017 is 29.2% (twelve months ended 31 December 2016: 23.1%).

At the end of 2017, corporate tax reforms were enacted in Belgium and in the United States. Consequently, as of 1 January 2018, the corporate tax rate in Belgium will be reduced from 33.99% to 29.58% (for the years 2018 and 2019; 25% from 2020 onwards) and in the United States from 35% to 21%. For all three segments together, this change resulted in a net loss of EUR 5 million related to the re-measurement of deferred tax assets and liabilities, recognised during the year ended 31 December 2017.

NOTE 9: CURRENT AND DEFERRED INCOME TAXES (continued)

Note 9.1: Income tax expenses (continued)

The Group is subject to several factors which may affect future tax charges, principally the levels and mix of profitability in different jurisdictions and tax rates imposed.

Note 9.2: Current tax assets and liabilities

Current tax assets (liabilities) are largely expected to be recovered (settled) within 12 months.

Note 9.3: Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement in deferred tax assets and liabilities during the period and the prior period is as follows:

EUR million	Revalua-tions	Depreciation amortisation write-downs	Provisions	Dividends	Tax losses available for offset	Financial instru-ments	Other	Total
Deferred tax liabilities (negative amounts)								
At 1 January 2016	-13.2	-17.2	0.8	-0.7	1.7	-0.8	-1.7	-31.1
Credited (charged) to income statement	-	1.0	11.2	-0.3	-0.3	-2.1	1.3	10.8
Transfer between deferred taxes	13.2	-14.4	-7.9	1.0	0.8	0.3	-2.5	-9.5
Items acquired through business combinations	-111.7	0.1	1.4	-	-	-	-1.9	-112.1
Other variations	-	-	-	-	-	-	1.1	1.1
Exchange differences	-	-5.2	0.9	-	-	-	-	-4.3
At 31 December 2016	-111.7	-35.7	6.4	-	2.2	-2.6	-3.7	-145.1
Credited (charged) to income statement	-	-11.0	-2.1	-	0.4	0.9	1.1	-10.7
Other variation	-	-	-	-	-	-	0.7	0.7
Exchange differences	-	12.6	-2.9	-	-	-	-0.2	9.5
Reclassification to liabilities held for sale (see note 16)	-	12.6	-0.8	-	-1.4	-	0.2	10.6
At 31 December 2017	**-111.7**	**-21.5**	**0.6**	**-**	**1.2**	**-1.7**	**-1.9**	**-135.0**
Deferred tax assets (positive amounts)								
At 1 January 2016	-	-116.8	69.0	-	89.6	-0.8	5.5	46.5
Credited (charged) to income statement	-	-11.6	-14.3	-	24.6	-0.1	-2.4	-3.8
Credited (charged) to equity	-	-	18.2	-	0.1	0.5	-	18.8
Transfer between deferred taxes	-	19.2	-10.6	-0.9	-	0.4	1.4	9.5
Items acquired through business combination	-	-	-	-	-	-	8.9	8.9
Other variations	-	-	-	-	-	-	0.2	0.2
Exchange differences	-	-0.6	3.2	-	3.4	-	0.2	6.2
At 31 December 2016	-	-109.8	65.5	-0.9	117.7	-	13.8	86.3
Credited (charged) to income statement	-	81.1	-31.5	1.0	-42.7	0.2	4.9	13.0
Credited (charged) to equity	-	-	-17.9	-	-	0.2	-	-17.7
Other variations	-	-	-	-	-	-	-1.2	-1.2
Exchange differences	-	-0.2	-6.4	-	-8.8	-	0.2	-15.2
Reclassification to assets held for sale (see note 16)	-	27.3	-3.0	-	-60.3	-0.4	-8.9	-45.3
At 31 December 2017	**-**	**-1.6**	**6.7**	**0.1**	**5.9**	**-**	**8.8**	**19.9**
Net deferred tax assets (liabilities) after offsetting recognised in the consolidated statement of financial position:								
31 December 2016	-111.7	-145.5	71.9	-0.9	119.9	-2.6	10.1	-58.8
31 December 2017	**-111.7**	**-23.1**	**7.3**	**0.1**	**7.1**	**-1.7**	**6.9**	**-115.1**

NOTE 9: CURRENT AND DEFERRED INCOME TAXES (continued)

Note 9.3: Deferred income taxes (continued)

The net deferred tax balance (including those from the Belron segment) includes net deferred tax assets amounting to EUR 26.8 million (2016: EUR 28.4 million) that are expected to be reversed in the following year. However, given the low predictability of deferred tax movements, this net amount might not be reversed as originally foreseen.

At the balance sheet date, the Group has unused tax losses and credits of EUR 186.6 million (2016: EUR 228.2 million) available for offset against future profits, for which no deferred tax asset has been recognised, due to the unpredictability of future profit streams. This includes unused tax losses of EUR 31.6 million (2016: EUR 26.5 million) that will expire in the period 2018-2027 (2016: 2017-2036). Other losses may be carried forward indefinitely.

At the balance sheet date the aggregate amount of temporary differences associated with the investments in subsidiaries, branches, associates and interests in joint ventures (being mainly the accumulated positive consolidated reserves of these entities) for which deferred tax liabilities have not been recognised is EUR 1,151 million (2016: EUR 1,025 million). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It should also be noted that the reversal of these temporary differences, for example by way of distribution of dividends by the subsidiaries to the Company, would generate no (or a marginal) current tax effect.

Deferred tax assets are recognised provided that there is a sufficient probability that they will be recovered in the foreseeable future. Recoverability has been conservatively assessed. However, should the conditions for this recovery not be met in the future, the current carrying amount of the deferred tax assets may be reduced.

NOTE 10: GOODWILL

EUR million	2017	2016
Gross amount at 1 January	1,327.1	1,112.4
Accumulated impairment losses at 1 January	-235.9	-121.8
Carrying amount at 1 January	**1,091.2**	**990.6**
Additions (see note 25)	38.6	189.1
Increase/(Decrease) arising from put options granted to non-controlling interests (see note 26)	10.6	8.7
Impairment losses	-16.0	-114.1
Adjustments	-1.2	-0.4
Translation differences	-40.8	17.3
Reclassification to non-current assets held for sale (see note 16)	-898.2	-
Carrying amount at 31 December	**184.2**	**1,091.2**
of which: gross amount	*184.2*	*1,327.1*
accumulated impairment losses	-	*-235.9*

In the period, the additions comprise the goodwill arising from business combinations performed in the Belron segment, all of which have been reclassified to non-current assets classified as held for sale (see note 16).

The increase arising from put options comprises the movement of goodwill recognised at year end to reflect the change in the exercise price of the remaining options granted to non-controlling interests and the carrying value of non-controlling interest to which they relate (see note 26).

In the period, following the annual impairment test performed by the Belron segment (its goodwill being classified as assets held for sale), an impairment loss was recognized in Italy for an amount of EUR 16.0 million. In the prior period, in the Belron segment, impairment losses related to Italy (EUR 61.0 million), United Kingdom (EUR 15.2 million), Netherlands (EUR 32.8 million), Russia (EUR 4.5 million), Greece (EUR 0.5 million) and Ireland (EUR 0.1 million). In both periods, the impairment losses on goodwill are classified as discontinued operations.

In both periods, the adjustments resulted from subsequent changes in the fair value of the net assets in relation to the acquisitions performed in 2016 and 2015 by the Belron segment.

All the goodwill related to the Belron segment (EUR 898.2 million as at 31 December 2017) has been classified as held for sale at 31 December 2017 (see note 16).

NOTE 10: GOODWILL (continued)

The allocation of goodwill to cash-generating units is set out below (the allocation of intangible assets with indefinite useful lives is set out in note 11):

EUR million	2017	2016
D'Ieteren Auto	12.3	12.3
Moleskine	171.9	171.9
Belron	-	907.0
GROUP	**184.2**	**1,091.2**

Goodwill is monitored at the country level for business combinations performed by Belron s.a. and its subsidiaries and at the operating segment level for business combinations and transactions performed by the Company.

In accordance with the requirements of IAS 36 "Impairment of Assets", the Group completed a review of the carrying value of goodwill and of the intangible assets with indefinite useful lives (see note 11) as at each year end. The impairment review, based on the value in use calculation (fair value less costs of disposal for the review of the Company's investment in Belron – see below), was carried out to ensure that the carrying value of the Group's assets are stated at no more than their recoverable amount, being the higher of fair value less costs to sell and value in use.

The Belron segment completed this review for each of its cash-generating units (being the different countries where it operates). In 2017, this review led to a total impairment charge of EUR 16.0 million allocated to the goodwill in Italy. This charge followed the review of the goodwill, intangible and tangible assets, using strategic plans prepared in the year to calculate the long-term cash flow assumptions for each cash-generating unit. The forecast for the Italian business assumes continual market decline and the long-term economic outlook of the country has also deteriorated in 2017. In 2016, this review has led to a total impairment charge of EUR 133.2 million of which EUR 114.1 million related to goodwill (Italy: EUR 61.0 million, United Kingdom: EUR 15.2 million, Netherlands: EUR 32.8 million, Russia: EUR 4.5 million, Greece: EUR 0.5 million and Ireland: EUR 0.1 million), EUR 16.5 million to brands with indefinite useful live (United Kingdom) and EUR 2.6 million to tangible assets (Greece, Russia and Ireland).

In determining the value in use of each cash-generating unit, the Belron 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 each cash-generating unit with appropriate adjustment for the relevant risks associated with the businesses and with the underlying country ("country risk premium"). Estimated future cash flows are based on the strategic plans prepared earlier in the year to calculate the long-term cash flows assumptions for each cash-generating unit, with extrapolation thereafter (terminal value) based on a long-term average growth rate. This growth rate is set at 2% (2016: 2%) for all the cash-generating units, except for Canada (1.8%), Italy (0.5%) and Netherlands (1.5%). The projected long-term plans cover a five-year period.

The pre-tax discount rates applied to the cash flow projections for the major cash-generating units are:

Pre-tax discount rate	2017	2016
United Kingdom	9.3%	9.0%
France	10.3%	10.5%
Italy	10.7%	10.8%
Germany	9.8%	11.1%
Canada	9.7%	9.6%
Netherlands	6.9%	9.2%
Belgium	10.6%	10.5%
Australia	10.3%	10.1%
United States	12.1%	11.4%
Spain	10.5%	10.2%
Turkey	16.7%	16.3%
Greece	17.3%	17.0%
Others	from 8.4% to 22.0%	from 9.0% to 22.2%

NOTE 10: GOODWILL (continued)

The Board of Directors of the Company also reviewed the carrying amount of its investment in Belron, based on the fair value less costs of disposal, being the transaction price agreed between the Company and Clayton, Dubilier & Rice ("CD&R") regarding the acquisition by CD&R of a 40% stake in Belron (see notes 1, 16 and 33). The transaction values Belron at EUR 3 billion (entreprise value) which, after deduction of debt-like items, translates into an equity value of about EUR 1,5 billion. Taken into account the level of the consolidated gain on sale that will be recognised in 2018 (see note 33), the Board of Directors of the Company is satisfied that the carrying amount of the Belron cash-generating unit is stated at no more than its fair value less costs of disposal.

The Board of Directors of the Company also reviewed the carrying amount of its investment in Moleskine. In determining the value in use, the Company calculated the present value of the estimated future cash flows expected to arise, based on Moleskine's latest five year plan reviewed by the Board of Directors, with extrapolation thereafter (terminal growth rate of 2%). The discount rate applied (pre-tax rate of 7.4%) is based upon the weighted average cost of capital of the Moleskine segment. The Board of Directors of the Company is satisfied that the carrying amount of the Moleskine cash-generating unit is stated at no more than its value in use.

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, discount rates, long-term growth rates and segment share. A set of financial projections were prepared for each cash-generating unit, starting with the budget numbers for 2018. Margins are based on historical values achieved by the respective cash-generating units and global market trends. Operating expenses are based on historical levels suitably adjusted for increases in activity levels over the term of the cash projections. The assumptions on revenue growth are consistent with historical long-term trends. Long-term growth rates are based upon industry analysis and consistent with historical trends.

Future cash flows are estimates that may be revised in future periods as underlying assumptions change. Should the assumptions vary adversely in the future, the value in use of goodwill and intangible assets with indefinite useful lives may reduce below their carrying amounts. Sensitivities were also calculated on each of the key assumptions as follows: reduction in the long term growth rate of 1%, decrease in margins of 0.5% and increase in the discount rate of 1%. When applying the sensitivities as of 31 December 2017, headroom appears to be sufficient for most cash-generating units except for those highlighted below.

A reduction in the long term growth rate of 1% would result in a further impairment charge of EUR 5.0 million (Italy: EUR 1.7 million; Canada: EUR 0.8 million and Netherlands: EUR 2.5 million). A decrease in margins of 0.5% would result in a further impairment charge of EUR 20.6 million (Italy: EUR 6.3 million; United Kingdom: EUR 8.8 million, Canada: EUR 3.0 million and Netherlands: EUR 2.5 million). An increase in the discount rate of 1% would result in a further impairment charge of EUR 24.8 million (Italy: EUR 3.4 million; United Kingdom: EUR 5.2 million, Canada: EUR 9.3 million and Netherlands: EUR 6.9 million).

NOTE 11: INTANGIBLE ASSETS

Goodwill is analysed in note 10. All intangible assets have finite useful lives, unless otherwise specified.

EUR million	Other licenses and similar rights	Brands (finite and indefinite useful lives)	Customer contracts	Computer software	Intan-gibles under develop-ment	Other	Total
Gross amount at 1 January 2017	0.4	786.8	100.1	317.4	2.9	5.3	1,212.9
Accumulated amortisation and impairment losses at 1 January 2017	-0.4	-46.1	-88.8	-196.8	-	-4.0	-336.1
Carrying amount at 1 January 2017	**-**	**740.7**	**11.3**	**120.6**	**2.9**	**1.3**	**876.8**
Additions:							
Items separately acquired	-	4.3	1.4	63.3	0.8	-	69.8
Disposals	-	-	-	-3.7	-	-	-3.7
Amortisation	-1.9	-0.8	-4.5	-30.2	-	-	-37.4
Transfer from (to) another captions	7.4	-4.2	1.2	-0.6	-2.6	-	1.2
Items acquired through business combinations (see note 25)	-	0.6	3.8	0.6	-	-	5.0
Translation differences	-	-17.2	-1.0	-7.6	-	-	-25.8
Reclassification to non-current assets held for sale (see note 16)	-	-320.6	-12.2	-130.5	-	-	-463.3
Carrying amount at 31 December 2017	**5.5**	**402.8**	**-**	**11.9**	**1.1**	**1.3**	**422.6**
of which: gross amount	*12.8*	*402.8*	*-*	*26.7*	*1.1*	*5.3*	*448.7*
accumulated amortisation and impairment losses	*-7.3*	*-*	*-*	*-14.8*	*-*	*-4.0*	*-26.1*
Gross amount at 1 January 2016	0.4	376.6	94.8	269.3	-	4.0	745.1
Accumulated amortisation and impairment losses at 1 January 2016	-0.4	-28.6	-75.7	-165.7	-	-4.0	-274.4
Carrying amount at 1 January 2016	**-**	**348.0**	**19.1**	**103.6**	**-**	**-**	**470.7**
Additions:							
Items separately acquired	-	-	-	50.6	0.7	-	51.3
Disposals	-	-	-	-4.6	-	-	-4.6
Amortisation	-	-1.0	-9.6	-31.1	-	-	-41.7
Impairment losses	-	-16.5	-	-	-	-	-16.5
Transfer from (to) another caption	-	0.4	-	-	-	-	0.4
Items acquired through business combinations	-	405.0	1.5	0.3	2.2	1.3	410.3
Translation differences	-	4.8	0.3	1.8	-	-	6.9
Carrying amount at 31 December 2016	**-**	**740.7**	**11.3**	**120.6**	**2.9**	**1.3**	**876.8**
of which: gross amount	*0.4*	*786.8*	*100.1*	*317.4*	*2.9*	*5.3*	*1,212.9*
accumulated amortisation and impairment losses	*-0.4*	*-46.1*	*-88.8*	*-196.8*	*-*	*-4.0*	*-336.1*

All the Intangible assets in the Belron segment have been classified as held for sale at 31 December 2017 (see note 16). The brands CARGLASS® and AUTOGLASS®, acquired in 1999, as well as SAFELITE® AUTO GLASS acquired in 2007, have indefinite useful lives, since, thanks to the marketing spent and advertising made, there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows for the Group.

The Moleskine brand (EUR 402.8 million; acquired in November 2016) has an indefinite useful life, since, given the absence of factors that could cause its obsolescence and in light of the life cycles of the products to which the trademark relates, there is no foreseeable limit to the period over which this asset is expected to generate net cash inflows for the Group.

In 2016, the impairment loss of EUR 16.5 million related to the brand in the United Kingdom, following the annual impairment test performed by the Belron segment (see note 10).

The carrying value of the brands with a finite useful life at 31 December 2017 amounted to nil (2016: EUR 1.5 million), whilst the carrying amount of brands with indefinite useful life amounted to EUR 402.8 million (2016: EUR 739.2 million), fully allocated to the Moleskine cash-generating unit.

The other disclosures required by IAS 36 for intangible assets with indefinite useful lives are provided in note 10.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

EUR million	Property	Plant and equipment	Assets under construction	Total
Gross amount at 1 January 2017	518.9	875.0	9.3	1,403.2
Accumulated depreciation and impairment losses at 1 January 2017	-256.1	-572.7	-	-828.8
Carrying amount at 1 January 2017	**262.8**	**302.3**	**9.3**	**574.4**
Additions	22.4	113.0	7.9	143.3
Disposals	-3.1	-8.1	-	-11.2
Depreciation	-21.5	-78.9	-	-100.4
Transfer from (to) another caption	-0.4	0.2	-0.7	-0.9
Items acquired through business combinations (see note 25)	5.3	3.4	-	8.7
Translation differences	-8.0	-23.9	-	-31.9
Reclassification to non-current assets held for sale (see note 16)	-94.9	-275.8	-	-370.7
Carrying amount at 31 December 2017	**162.6**	**32.2**	**16.5**	**211.3**
of which: gross amount	*312.2*	*116.9*	*16.5*	*445.6*
accumulated depreciation and impairment losses	*-149.6*	*-84.7*	*-*	*-234.3*
Gross amount at 1 January 2016	478.1	833.9	13.8	1,325.8
Accumulated depreciation and impairment losses at 1 January 2016	-235.4	-569.4	-	-804.8
Carrying amount at 1 January 2016	**242.7**	**264.5**	**13.8**	**521.0**
Additions	27.5	105.6	12.3	145.4
Disposals	-4.1	-4.1	-	-8.2
Depreciation	-23.0	-76.7	-	-99.7
Impairment	-0.5	-2.2	-	-2.7
Transfer from (to) another caption	16.2	1.0	-16.8	0.4
Items acquired through business combinations	4.3	10.0	0.3	14.6
Translation differences	-0.3	4.2	-0.3	3.6
Carrying amount at 31 December 2016	**262.8**	**302.3**	**9.3**	**574.4**
of which: gross amount	*518.9*	*875.0*	*9.3*	*1,403.2*
accumulated depreciation and impairment losses	*-256.1*	*-572.7*	*-*	*-828.8*

Property, plant and equipment in the Belron segment have been classified as held for sale at 31 December 2017 (see note 16).

At 31 December 2017 and at 31 December 2016, assets under construction mainly included property under construction in the D'Ieteren Auto segment.

Assets held under finance leases are included in the above at the following amounts:

EUR million	Property	Plant and equipment	Assets under construction	Total
31 December 2017	**-**	**5.3**	**-**	**5.3**
31 December 2016	-	78.4	-	78.4

The decrease is explained by the reclassification as at 31 December 2017 of Belron's assets held under finance leases as non-current assets held for sale (EUR 67.8 million).

NOTE 13: INVESTMENT PROPERTY

EUR million	2017	2016
Gross amount at 1 January	10.8	12.6
Accumulated depreciation at 1 January	-7.0	-8.3
Carrying amount at 1 January	**3.8**	**4.3**
Additions	4.9	-
Depreciation	-0.6	-0.1
Transfer from (to) another caption	0.9	-0.4
Carrying amount at 31 December	**9.0**	**3.8**
of which: gross amount	*16.6*	*10.8*
accumulated depreciation	*-7.6*	*-7.0*
Fair value	10.0	5.9

The fair value is supported by market evidence, and is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification, and who has recent experience in the location and category of the investment property held by the Group. The latest valuations were performed in March 2014 and May 2016.

All items of investment property are located in Belgium and are held by the D'Ieteren Auto segment.
See also note 29 for other disclosures on investment property.

NOTE 14: INVENTORIES

EUR million	2017	2016
D'Ieteren Auto		
Vehicles	309.6	314.7
Spare parts and accessories	25.5	26.3
Other	0.4	0.8
Subtotal	**335.5**	**341.8**
Belron	**-**	**313.2**
Moleskine	**32.2**	**24.0**
GROUP	**367.7**	**679.0**
of which: items carried at fair value less costs to sell	*35.1*	*66.0*

The items carried out at fair value less costs to sell are mainly the vehicles sold under buy-back agreements (this kind of agreement being accounted for as operating lease) that are kept on statement of financial position until their subsequent resale.

The accumulated write-down on inventories amounts to EUR 13.2 million (2016: EUR 27.9 million). The decrease is mainly explained by the classification of the carrying amount of inventories in the Belron segment as held for sale at 31 December 2017. The amount of write down of inventories recognised in the cost of sales (see note 4) amounts to EUR -0.5 million (2016: income of EUR 0.8 million).

The inventories are expected to be recovered within 12 months and are mainly composed of merchandises.

NOTE 15: EQUITY ACCOUNTED INVESTEES

In 2017, three group entities (four in 2016) are accounted for using the equity method :

EUR million	2017		2016 (1)	
	D'Ieteren Auto	Group	D'Ieteren Auto	Group
Interests in joint ventures	67.8	67.8	62.7	62.7
Interests in associate	1.4	1.4	1.1	1.1
Total of equity-accounted investees	**69.2**	**69.2**	**63.8**	**63.8**
Share of profit in joint ventures	5.1	5.1	4.6	4.6
Share of profit in associate	0.3	0.3	-	-
Total of share of result after tax of equity-accounted investees	**5.4**	**5.4**	**4.6**	**4.6**

(1) As restated to reflect discontinued operations in the Belron segment – See notes 1 and 28 for more information

Joint ventures

In 2017, two joint ventures are accounted for using the equity method (three in 2016).

The largest joint venture is 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	2017	2016
Non-current assets	1,171.7	982.0
Current assets (excluding cash and cash equivalents)	667.8	602.8
Cash and cash equivalents	50.2	52.9
Non-current liabilities (excluding financial liabilities)	-9.4	-6.2
Non-current financial liabilities	-625.0	-643.0
Current liabilities (excluding financial liabilities)	-96.8	-99.7
Current financial liabilities	-1,022.9	-762.9
Net assets (100%)	135.6	125.9
Group's share of net assets (49,99%) and carrying amount of interest in joint venture	**67.8**	**62.9**
Revenue	342.6	318.8
Profit before tax	17.5	16.9
Result for the period (100%)	11.4	11.4
Other comprehensive income (100%)	-1.8	-
Profit (or loss) and total comprehensive income (100%)	9.6	11.4
Group's share of profit (or loss) and comprehensive income (49,99%)	**4.8**	**5.7**

Share of net assets represents the share of the Group in the equity of VDFin as at 31 December 2017.

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. The consolidated gain on the disposal of the joint venture is recorded among the net finance costs in the D'Ieteren Auto segment (see note 5).

NOTE 15: EQUITY ACCOUNTED INVESTEES (continued)

Associate

As from June 2012, new finance lease services to customers of the D'Ieteren Auto segment are provided by the joint venture VDFin. Services related to previous finance lease contracts are still provided by D'Ieteren Vehicle Trading (DVT) s.a., a 49%-owned associate.

The following table summarises the financial information of DVT as included in its own financial statements and also reconciles this summarised financial information to the carrying amount of the Group's interest in DVT.

EUR million	2017	2016
Non-current assets	-	2.4
Current assets	3.2	3.4
Non-current liabilities	-	-2.9
Current liabilities	-0.3	-0.6
Net assets (100%)	2.9	2.3
Group's share of net assets (49%) and carrying amount of interest in associate	**1.4**	**1.1**
Revenue	0.5	2.8
Profit before tax	0.7	0.3
Result for the period (100%)	0.6	0.1
Group's share of profit (or loss) and comprehensive income (49%)	**0.3**	**-**

NOTE 16: NON-CURRENT ASSETS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Framework

On 2 May 2017, as part of the regular review of its strategic options, the Company announced that it was exploring the potential to bring a minority partner in Belron, the world leader in vehicle glass replacement and repair. D'Ieteren's aim was to remain the majority shareholder while strengthening its investment capacity. The partial sale of Belron shares to a minority partner will 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 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.

On 28 November 2017, the Company announced the signing of a definitive agreement with Clayton, Dubilier and Rice (CD&R) regarding a partnership investment in Belron. The transaction whereby CD&R acquired a 40% stake in Belron closed on 7 February 2018. The Company and Belron's management will retain the remaining 60% ownership interest.

Classification as held for sale and measurement

The Board of Directors of the Company concluded that, as of balance sheet date, the Group was committed to a sale plan which will involve loss of exclusive control of its subsidiary Belron (some reserved matters being shared), and therefore decided to classify all the assets and liabilities as held for sale in the statement of financial position as at 31 December 2017; the recognition criteria defined in IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" being satisfied.

The assets and liabilities of Belron are measured at the lower of carrying amount and fair value less costs of disposal at the date of the classification. The fair value less costs of disposal is based on the transaction price agreed between the Company and Clayton, Dubilier & Rice ("CD&R") regarding the acquisition by CD&R of a 40% stake in Belron. The transaction values Belron at EUR 3 billion (enterprise value) which, after deduction of debt-like items, translates into an equity value of about EUR 1,5 billion.

NOTE 16: NON-CURRENT ASSETS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

EUR million	2017			2016	
	D'Ieteren Auto	Belron	Group	D'Ieteren Auto	Group
Goodwill	-	898.2	898.2	-	-
Intangible assets	-	463.3	463.3	-	-
Property, plant & equipment	0.8	369.9	370.7	-	-
Investment property	5.5	-	5.5	5.5	5.5
Available-for-sale financial assets	-	0.5	0.5	-	-
Derivative hedging instruments	-	2.0	2.0	-	-
Derivatives held for trading	-	0.3	0.3	-	-
Employee benefits	-	39.4	39.4	-	-
Deferred tax assets	-	45.3	45.3	-	-
Other receivables	-	2.2	2.2	-	-
Inventories	4.2	300.8	305.0	-	-
Derivative hedging instruments	-	0.3	0.3	-	-
Derivatives held for trading	-	2.8	2.8	-	-
Current tax assets	-	4.7	4.7	-	-
Trade and other receivables	1.7	309.9	311.6	-	-
Cash & cash equivalents	-	76.4	76.4	-	-
Non-current assets classified as held for sale	**12.2**	**2,516.0**	**2,528.2**	**5.5**	**5.5**

EUR million	2017			2016	
	D'Ieteren Auto	Belron	Group	D'Ieteren Auto	Group
Employee benefits	-	9.3	9.3	-	-
Provisions	-	37.9	37.9	-	-
Loans & borrowings	-	1,307.0	1,307.0	-	-
Other payables	-	5.4	5.4	-	-
Deferred tax liabilities	-	10.6	10.6	-	-
Provisions	-	50.5	50.5	-	-
Loans & borrowings	-	41.2	41.2	-	-
Derivative hedging instruments	-	2.6	2.6	-	-
Derivatives held for trading	-	0.6	0.6	-	-
Current tax liabilities	0.1	26.5	26.6	-	-
Trade & other payables	1.3	501.3	502.6	-	-
Liabilities associated with non-current assets held for sale	**1.4**	**1,992.9**	**1,994.3**	**-**	**-**
Net assets group's share	**10,8**	**523,1**			

D'Ieteren Auto

In the D'Ieteren Auto segment, non-current assets classified as held for sale comprise buildings and a subsidiary previously used for automobile distribution activities, for which the management are commited to disposal. The disposal is expected to occur in the course of 2018.

Belron

See "Framework" and "Classification as held for sale and measurement" on previous page for the general context. In accordance with the requirements of IFRS 5, the Group did not depreciate Belron's non-current assets as from the date (28 November 2017) of its classification as held for sale. The impact in the consolidated income statement is EUR 10.5 million.

Belron refinancing was completed in November 2017 with the launch of a 7-year Term Loan B facility of USD 1,025 million and EUR 425 million with a 6-year revolving credit facility of EUR 280 million in place. The proceeds of the Term Loan B were used to refinance the US Private Placement (USPP) instruments, reimburse the shareholder loans, pay an extraordinary dividend (approximately EUR 453 million) to its shareholders and cover fees and transaction costs related to the refinancing.

The cumulative amounts included in other comprehensive income amounts to EUR -86.2 million (of which EUR -43.7 million are related to items that will be reclassified to profit or loss).

NOTE 17: OTHER INVESTMENTS, INCLUDING DERIVATIVES

EUR million	2017		2016			
	D'Ieteren Auto	Group	D'Ieteren Auto	Belron	Moleskine	Group
Non-current investments						
Available for sale financial assets	-	-	0.5	-	-	0.5
Total non-current investments	**-**	**-**	**0.5**	**-**	**-**	**0.5**
Current investments						
Held to maturity financial assets	107.1	107.1	-	-	-	-
Derivative hedging instruments (current assets)	-	-	-	*1.0*	-	*1.0*
Derivative hedging instruments (current liabilities)	-	-	-	*-0.9*	-	*-0.9*
Net derivative hedging instruments	-	-	-	0.1	-	0.1
Derivative held for trading (current assets)	-	-	-	*1.2*	-	*1.2*
Net derivative held for trading	-	-	-	1.2	-	1.2
Other financial assets	-	-	-	-	5.0	5.0
Total current investments	**107.1**	**107.1**	**-**	**1.3**	**5.0**	**6.3**

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets held for trading.

In 2017, held to maturity financial assets comprise investments in a portfolio of marketable securities (mainly sovereign and corporate bonds in Europe with maturity of 1 to 3 years). The carrying amount is equal to its fair value, and is classified in level 1 of the fair value hierarchy as specified in note 24.

All derivative instruments in the Belron segment have been classified as held for sale at 31 December 2017 (see note 16). These are mainly forward foreign exchange contracts used to hedge the cost of future payables where those payables are denominated in a currency other than the functional currency of the purchasing entity, foreign exchange swap contracts used to swap foreign currency cash balances to reduce borrowings and minimise interest expense, interest rate swaps and fuel derivatives used to hedge the price of fuel purchases.

In 2016, available-for-sale financial assets comprised non-controlling interests in non-listed companies (measured at cost, being an approximation of their fair value) held by the D’Ieteren Auto segment. They have been disposed of in the course of 2017.

In 2016, in the Moleskine segment, the other financial assets comprised a life insurance product started end of 2015, in order to diversify its investments with the aim of seeking solidity, profitability and security, which has been converted into cash in the course of 2017.

NOTE 18: CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed below:

EUR million	2017			2016			
	D'Ieteren Auto	Moleskine	Group	D'Ieteren Auto	Belron	Moleskine	Group
Cash at bank and in hand	270,7	24,9	295,6	2,5	45,9	48,3	96,7
Money Market Assets	1,7	-	1,7	1,5	-	-	1,5
Cash and cash equivalents	**272,4**	**24,9**	**297,3**	**4,0**	**45,9**	**48,3**	**98,2**

In the D’Ieteren Auto segment, the increase during the period is explained by the extraordinary dividend received from the Belron segment following the issue of new term loans (see note 16).

Cash and cash equivalents are mainly floating rate assets which earn interest at various rates set with reference to the prevailing EONIA, LIBID or equivalent. Their carrying amount is equal to their fair value.

NOTE 19: TRADE AND OTHER RECEIVABLES

Non-current receivables are analysed as follows (the trade and other receivables of the Belron segment have been classified as held for sale as at 31 December 2017 – see note 16):

EUR million	2017			2016			
	D'Ieteren Auto	Moleskine	Group	D'Ieteren Auto	Belron	Moleskine	Group
Non-current receivables	23.2	2.4	25.6	22.6	2.4	2.9	27.9

The other non-current receivables are composed of guarantee deposits against rental properties and of a loan granted to a minority shareholder of Belron (family holding company of Belron's CEO). The loan granted to this minority shareholder is fully guaranteed by a pledge. Their carrying amount approximates their fair value. The loan granted to a minority shareholder of Belron earns interest at a rate set with reference to the prevailing EURIBOR and the other non-current receivables generally generate no interest income. They are expected to be recovered after more than 12 months.

Trade and other current receivables are analysed as follows:

EUR million	2017			2016			
	D'Ieteren Auto	Moleskine	Group	D'Ieteren Auto	Belron	Moleskine	Grou
Trade receivables - net	3.1	24.1	27.2	-9.5	180.7	24.5	195
Current receivables from equity-accounted investees	6.1	-	6.1	22.4	-	-	22
Other current receivables	8.6	4.3	12.9	7.9	80.7	2.3	90
Trade and other receivables	**17.8**	**28.4**	**46.2**	**20.8**	**261.4**	**26.8**	**309**

The trade and other receivables are expected to be recovered within 12 months. Their carrying amount approximates their fair value, and they generate no interest income. Net trade receivables are presented net of trade credit notes to be issued (mainly in the D'Ieteren Auto segment).

The Group is exposed to credit risk arising from its operating activities (potential losses arising from the non-fulfillment of obligations assumed by trade and financial counterparties). Such risks are mitigated by selecting clients and other business partners on the basis of their credit quality and by avoiding as far as possible concentration on a few large counterparties. Credit quality of large counterparties is assessed systematically and credit limits are set prior to taking exposure. Payment terms are on average less than one month except where local practices are otherwise. Receivables from sales involving credit are closely tracked and collected mostly centrally in the D'Ieteren Auto segment, and at the country level in the Belron segment (classified as held for sale). In the Moleskine segment, the risk of insolvency is monitored centrally with review of the credit exposure. The credit risk is differentiated by sales channel and the acceptance of new customers is monitored by conducting qualitative and quantitative corporate rating services.

In the D'Ieteren Auto segment, concentration on top ten customers, based on the gross receivables, is 33.7% (2016: 35.0%) and no customer is above 8% (2016: 7%). Certain receivables are also credit insured. In the Belron segment (classified as held for sale), concentrations of risk with respect to receivables are limited due to the diversity of Belron's customer base. In the Moleskine segment, trade receivables are concentrated due to the distribution model. However, there were no specific concentration risks since the counterparties do not present solvency risk and in any event could be replaced, if required, which would not entail operational difficulties. The credit position of certain customers are also partly guaranteed by letters of credit.

Statement of financial position amounts are stated net of provisions for doubtful debts, and accordingly, the maximum credit risk exposure is the carrying amount of the receivables in the statement of financial position. As at 31 December 2017, the provisions for bad and doubtful debt amount to EUR 9.8 million (2016: EUR 29.8 million); the carrying amount of trade and other receivables (of which EUR 212.1 million of net trade receivables) of the Belron segment being classified as held for sale in the statement of financial position (see note 16).

The ageing analysis of trade and other receivables past due but not impaired is as follows:

EUR million	2017	2016
Up to three months past due	37.4	63.2
Three to six months past due	3.2	7.3
Over six months past due	4.3	3.7
Total	**44.9**	**74.2**

NOTE 19: TRADE AND OTHER RECEIVABLES (continued)

The income in 2017 for bad and doubtful debts amounts to EUR 2.1 million (2016: income of EUR 3.4 million after restatement). See note 4.

NOTE 20: CAPITAL AND RESERVES

A reconciliation of share capital and reserves are set out in the consolidated statement of changes in equity.

Share capital

The change in ordinary share capital is set out below:

EUR million, except number of shares stated in units	Number of ordinary shares	Ordinary share capital
At 1 January 2016	**55,302,620**	**160.0**
Change	-	-
At 31 December 2016	**55,302,620**	**160.0**
Change	-	-
At 31 December 2017	**55,302,620**	**160.0**

The 5,000,000 nominative participating shares do not represent share capital. Each participating share confers one voting right and gives the right to a dividend equal to one eighth of the dividend of an ordinary share.

Treasury shares

Treasury shares are held by the Company and by subsidiaries as set out below:

EUR million, except number of shares stated in units	31 December 2017		31 December 2016	
	Number	Amount	Number	Amount
Treasury shares held by the Company	1,085,217	34.6	1,101,692	34.3
Treasury shares held by subsidiaries	-	-	-	-
Treasury shares held	**1,085,217**	**34.6**	**1,101,692**	**34.3**

Treasury shares are held to cover the stock option plans set up by the Company since 1999 (see note 7).

Share-based payment reserve

The share-based payment reserve relates to the employee stock option plans (equity-settled) granted to officers and managers of the D'Ieteren Auto segment (see note 7).

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of financial instruments that hedge the Group's net investment in a foreign subsidiary.

In 2016, according to the requirements of IAS 21, following the disposal in January 2016 of the Brazilian entity Carglass Automotiva Ltda (Belron segment), the cumulative amount of foreign exchange difference held in translation reserve has been recycled to profit or loss (non-cash charge of EUR 24.9 million).

Actuarial gains and losses reserve

The actuarial gains and losses reserve relates to the actuarial movement linked with defined benefit pension plans (see note 8).

NOTE 20: CAPITAL AND RESERVES (continued)

Registered shares not fully paid-up may not be transferred except by virtue of a special authorisation from the Board of Directors for each assignment and in favour of an assignee appointed by the Board (art. 7 of the Articles). Participating shares may not be transferred except by the agreement of a majority of members of the Board of Directors, in which case they must be transferred to an assignee appointed by said members (art. 8 of the Articles).

The Group's objectives when managing capital are to safeguard each of its activities ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. The Group monitors the capital adequacy at the level of each of its activities through a set of ratios relevant to their specific business. In order to maintain or adjust the capital structure, each activity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt, taking into account the existence of non-controlling shareholders.

The controlling shareholders are listed here below :

Shareholders with controlling interest according to the declaration of transparency dated 2 November 2011, and to further communications to the Company (of which the latest on 10 January 2018).	**Capital shares**		**Participating shares**		**Total voting rights**	
	Number	**%**	**Number**	**%**	**Number**	**%**
s.a. de Participations et de Gestion, Brussels	11,902,780	21.52%	-	-	11,902,780	19.74%
Reptid Commercial Corporation, Dover, Delaware	1,974,500	3.57%	-	-	1,974,500	3.27%
Mrs Catheline Périer-D'Ieteren	-	0.00%	1,250,000	25.00%	1,250,000	2.07%
Mr Olivier Périer	10,000	0.02%	-	-	10,000	0.02%
The four abovementioned persons (collectively "SPDG Group") are associated.	**13,887,280**	**25.11%**	**1,250,000**	**25.00%**	**15,137,280**	**25.10%**
Nayarit Participations s.c.a., Brussels	17,217,830	31.13%	-	-	17,217,830	28.55%
Mr Roland D'Ieteren	466,190	0.84%	3,750,000	75.00%	4,216,190	6.99%
Mr Nicolas D'Ieteren	10,000	0.02%	-	-	10,000	0.02%
The three abovementioned persons (collectively "Nayarit Group") are associated.	**17,694,020**	**31.99%**	**3,750,000**	**75.00%**	**21,444,020**	**35.56%**
The persons referred to as SPDG Group and Nayarit Group act in concert.						

The Board of Directors proposed the distribution of a gross dividend amounting to EUR 3.80 per share (2017: an ordinary dividend of EUR 0.95 per share and an extraordinary dividend of EUR 2.85 per share; 2016: an ordinary dividend of EUR 0.95 per share), or EUR 208.4 million in aggregate (2016: EUR 52.1 million).

NOTE 21: PROVISIONS

Liabilities for post-retirement benefit schemes are analysed in note 8. The other provisions, either current or non-current, are analysed below.

The major classes of provisions are the following ones:

EUR million	2017			2016			
	D'Ieteren Auto	**Moleskine**	**Group**	**D'Ieteren Auto**	**Belron**	**Moleskine**	**Group**
Non-current provisions							
Dealer-related	5.2	-	5.2	8.8	-	-	8.8
Warranty	4.5	-	4.5	4.0	-	-	4.0
Other non-current items	6.7	2.5	9.2	5.9	31.7	0.1	37.7
Subtotal	**16.4**	**2.5**	**18.9**	**18.7**	**31.7**	**0.1**	**50.5**
Current provisions							
Other current items	-	1.8	1.8	-	34.7	1.5	36.2
Subtotal	**-**	**1.8**	**1.8**	**-**	**34.7**	**1.5**	**36.2**
Total provisions	**16.4**	**4.3**	**20.7**	**18.7**	**66.4**	**1.6**	**86.7**

The changes in provisions are set out below for the year ended 31 December 2017:

EUR million	Dealer-related	Warranty	Other non-current items	Other current items	Total
At 1 January 2017	**8.8**	**4.0**	**37.7**	**36.2**	**86.7**
Charged in the year	1.7	0.5	31.8	23.4	57.4
Utilised in the year	-2.4	-	-0.2	-23.4	-26.0
Reversed in the year	-2.8	-	-0.5	-	-3.3
Transferred during the year	-0.1	-	-20.8	20.8	-0.1
Translation differences	-	-	-0.9	-4.7	-5.6
Transferred to liabilities associated with non-current assets held for sale (see note 16)	-	-	-37.9	-50.5	-88.4
At 31 December 2017	**5.2**	**4.5**	**9.2**	**1.8**	**20.7**

The timing of the outflows being largely uncertain, most of the provisions are considered as non-current items. The non-current provisions are not discounted since the impact is not considered material to the Group. Current provisions are expected to be settled within 12 months.

In the D'Ieteren Auto segment, warranty provisions relate to the cost of services offered to new vehicle customers, like mobility, and the dealer-related provisions arise from the ongoing improvement of the distribution networks.

Other non-current provisions also comprise:

- Dilapidation and environmental provisions to cover the costs of the remediation of certain properties held under operating leases;
- Provisions for vacant properties;
- Provision against legal claims that arise in the normal course of business, that are expected to crystallise in the next couple of years. After taking appropriate legal advice, the outcome of these legal claims should not give rise to any significant loss beyond amounts provided at 31 December 2017.

In the Belron segment, classified as held for sale as at 31 December 2017, the provision for the long-term management incentive schemes amounts to EUR 36.5 million, of which EUR 20.1 million is classified as current; the settlement being expected in 2018.

NOTE 21: PROVISIONS (continued)

In 2016, other non-current provisions in the Belron segment (EUR 31.7 million) mainly related to the provision for the long-term management incentive schemes (EUR 16.4 million for the schemes commenced in 2015 and 2016; the settlements being expected respectively in 2018 and in 2019) and to the US healthcare provision (EUR 15.2 million; transferred during the period from other non-current payables).

In 2016, other current provisions in the Belron segment (EUR 34.7 million) relate to the restructuring provisions (reorganisation, employee termination costs and the US Enfield plant closure) and to the US healthcare provision (EUR 23.2 million; transferred during the period from current payables).

NOTE 22: LOANS AND BORROWINGS

Loans and borrowings are presented as follows:

EUR million	2017			2016			
	D'Ieteren Auto	Moleskine	Group	D'Ieteren Auto	Belron	Moleskine	Group
Non-current loans and borrowings							
Obligations under finance leases	0.7	-	0.7	0.7	42.6	-	43.3
Bank and other loans	0.8	130.5	131.3	26.8	13.1	126.9	166.8
Loan notes	-	-	-	-	550.5	-	550.5
Inter-segment loans	-152.0	152.0	-	-151.3	-	151.3	-
Subtotal non-current loans and borrowings	**-150.5**	**282.5**	**132.0**	**-123.8**	**606.2**	**278.2**	**760.6**
Current loans and borrowings							
Obligations under finance leases	0.1	-	0.1	0.1	31.1	-	31.2
Bank and other loans	0.5	31.9	32.4	119.7	17.9	47.2	184.8
Loan notes	-	-	-	-	142.3	-	142.3
Inter-segment loans	-	-	-	-41.5	41.5	-	-
Subtotal current loans and borrowings	**0.6**	**31.9**	**32.5**	**78.3**	**232.8**	**47.2**	**358.3**
TOTAL LOANS AND BORROWINGS	**-149.9**	**314.4**	**164.5**	**-45.5**	**839.0**	**325.4**	**1,118.9**

Obligations under finance leases are analysed below:

EUR million	2017		2016	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one year	0.1	0.1	31.7	31.2
Between one and five years	0.7	0.7	45.5	42.9
More than five years	-	-	0.4	0.4
Subtotal	0.8	0.8	77.6	74.5
Less: future finance charges	-	-	-3.1	-
Present value of finance lease obligations	**0.8**	**-**	**74.5**	**-**

In the D'Ieteren Auto segment, the decrease in bank and other loans has been made possible thanks to the extraordinary dividends received from Belron.

Belron refinancing was completed in November 2017 with the launch of a 7-year Term Loan B facility of USD 1,025 million and EUR 425 million with a 6-year revolving credit facility of EUR 280 million in place. The proceeds of the Term Loan B were used to refinance the US Private Placement (USPP) instruments, reimburse the shareholder loans, pay an extraordinary dividend (approximately EUR 453 million) to its shareholders and cover fees and transaction costs related to the refinancing. The loans and borrowings of the Belron segment have been classified as held for sale as at 31 December 2017 (see note 16).

NOTE 22: LOANS AND BORROWINGS (continued)

In both periods, the non-current inter-segment loans comprise amounts lent by the D'Ieteren Auto segment to the Moleskine segment (non-recourse loan in the framework of the acquisition), at arm's length conditions.

Non-current loans and borrowings are due for settlement after more than one year, in accordance with the maturity profile set out below:

EUR million	2017	2016
Between one and five years	132.0	555.8
After more than five years	-	204.8
Non-current loans and borrowings	**132.0**	**760.6**

The exposure of the Group's loans and borrowings to interest rate changes and the repricing dates (before the effect of the debt derivatives) at the balance sheet date is as follows:

EUR million	2017	2016
Less than one year	32.5	358.3
Between one and five years	132.0	555.8
After more than five years	-	204.8
Loans and borrowings	**164.5**	**1,118.9**

The interest rate and currency profiles of loans and borrowings are as follows (including the effects of debt derivatives):

EUR million	2017			2016		
Currency	**Fixed rate**	**Floating rate**	**Total**	**Fixed rate**	**Floating rate**	**Total**
EUR	2.1	162.4	164.5	33.4	377.7	411.1
GBP	-	-	-	23.5	-	23.5
USD	-	-	-	664.5	17.6	682.1
Other	-	-	-	2.0	0.2	2.2
Total	**2.1**	**162.4**	**164.5**	**723.4**	**395.5**	**1,118.9**

EUR borrowings are stated after deduction of deferred financing costs of EUR 2.1 million (2016: EUR 4.9 million).

The floating rate borrowings bear interest at various rates set with reference to the prevailing EURIBOR or equivalent. The range of interest rates applicable for fixed rate borrowings outstanding is as follows:

	2017		2016	
Currency	**Min.**	**Max.**	**Min.**	**Max.**
EUR	0.6%	3.0%	0.2%	5.7%
GBP	-	-	2.8%	6.7%
USD	-	-	5.9%	5.9%
Other	-	-	2.5%	22.8%

NOTE 22: LOANS AND BORROWINGS (continued)

The fair value of current loans and borrowings approximates their carrying amount. The fair value of non-current loans and borrowings is set out below:

EUR million	2017		2016	
	Fair value	Carrying amount	Fair value	Carrying amount
Obligations under finance leases	0.7	0.7	43.3	43.3
Bank, loan notes and other loans	131.3	131.3	764.7	717.3
Non-current loans and borrowings	**132.0**	**132.0**	**808.0**	**760.6**

The fair value of the other borrowings is based on either tradable market values, or where such market values are not readily available is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. See note 24 for fair value hierarchy and further information. Certain of the borrowings in the Group have covenants attached. At year-end, there is no breach of covenants.

NOTE 23: TRADE AND OTHER PAYABLES

Other non-current payables are non interest-bearing deferred consideration on acquisitions (2017: nil - EUR 5.4 million classified as held for sale for Belron- ; 2016: EUR 1.9 million) and other creditors (2017: EUR 1.5 million; 2016: EUR 1.1 million), payable after more than 12 months. The carrying value of other non-current payables approximates their fair value.

Trade and other current payables are analysed below:

EUR million	2017			2016			
	D'Ieteren Auto	Moleskine	Group	D'Ieteren Auto	Belron	Moleskine	Gro
Trade payables	-22.7	28.8	6.1	-6.7	147.7	26.0	167
Accrued charges and deferred income	35.4	0.3	35.7	38.5	8.4	0.2	47
Non-income taxes	-2.7	0.8	-1.9	-0.9	18.5	0.5	18
Deferred consideration on acquisitions	-	-	-	-	5.9	-	5
Other current creditors	68.0	4.4	72.4	57.4	308.5	4.9	370
Trade and other payables	**78.0**	**34.3**	**112.3**	**88.3**	**489.0**	**31.6**	**608**

Trade and other current payables are expected to be settled within 12 months. The carrying value of trade and other current payables approximates their fair value.

Trade payables are presented net of trade credit notes to be received (mainly in the D'Ieteren Auto segment).

NOTE 24: FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT

The main risks managed by the Group under policies approved by the Board of Directors, are liquidity and re-financing risk, market risk, credit risk, counterparty risk and price risk. The Board periodically reviews the Group's treasury activities, policies and procedures. Treasury policies aim to ensure permanent access to sufficient liquidity, and to monitor and limit interest and currency exchange risks. These are summarised below.

Liquidity and re-financing risk

Liquidity risk is associated with the Group's ability to meet its obligations. Each business unit of the Group manages liquidity risk by maintaining sufficient cash and funding available through an adequate amount of committed credit facilities to cover its anticipated medium term commitments at all times. To minimise liquidity risk, the Group ensures, on the basis of its long-term financial projections, that it has a core level of committed long-term funding in place, with maturities spread over a wide range of dates, supplemented by various shorter term facilities, and various funding sources.

Cash pooling schemes are sought and implemented each time when appropriate in order to minimise gross financing needs and costs of liquidity.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities together with derivative financial instrument assets and liabilities at balance sheet date:

EUR million	Due within one year		Due between one and five years		Due after five years		Total	
	Capital	Interest	Capital	Interest	Capital	Interest	Capital	Interest
At 31 December 2017								
Loans and borrowings								
Obligations under finance leases	0.1	-	0.7	-	-	-	0.8	-
Other borrowings and private bonds	32.5	1.6	133.6	5.8	-	-	166.1	7.4
Total	32.6	1.6	134.3	5.8	-	-	166.9	7.4
Trade and other payables	106.6	-	-	-	-	-	106.6	-
Total	**139.2**	**1.6**	**134.3**	**5.8**	**-**	**-**	**273.5**	**7.4**
At 31 December 2016								
Loans and borrowings								
Obligations under finance leases	31.2	0.5	42.9	2.7	0.4	-	74.5	3.2
Other borrowings and private bonds	327.8	30.1	516.9	84.0	204.5	16.1	1,049.2	130.2
Total	359.0	30.6	559.8	86.7	204.9	16.1	1,123.7	133.4
Trade and other payables	608.9	-	-	-	-	-	608.9	-
Deferred consideration on acquisition of Moleskine	15.9	-	-	-	-	-	15.9	-
Derivative financial instruments								
Derivative contracts - receipts	-123.8	-	-	-	-	-	-123.8	-
Derivative contracts - payments	122.4	-	-	-	-	-	122.4	-
Total	**982.4**	**30.6**	**559.8**	**86.7**	**204.9**	**16.1**	**1,747.1**	**133.4**

Interest Rate Risk

The Group's interest rate risk arises from changes in interest rates on interest-bearing assets and from loans and borrowings.

The Group seeks to cap the impact of adverse interest rates movements on its financial results, particularly in relation to the next 12 months. To manage its interest rate exposures, the Group primarily uses forward rate agreements, interest rate swaps, caps and floors. Each business unit determines its own minimum hedge percentages, which, for the period up to 12 months, are comprised between 50% and 100%, and thereafter sets them gradually lower over time. The overall hedge horizon is typically 3 years. Hedges, or fixed rate indebtedness, beyond 5 years are unusual.

The interest rate and currency profiles of loans and borrowings are disclosed in note 22.

NOTE 24: FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (continued)

A change of 100 basis points in interest rate at the reporting date would have increased/decreased the result from continuing operations by the amounts shown below. This analysis assumes that all other variables remain constant.

EUR million	Result from continuing operations	
	1% increase	1% decrease
31 December 2017	**-1.4**	**1.4**
31 December 2016	-0.7	0.5

Currency Risk

The Group's objective is to protect its cash flows, commercial transactions and net investments in foreign operations from the potentially high volatility of the foreign exchange markets by hedging any material net foreign currency exposure.

The Group has certain investments in foreign operations whose net assets and related goodwill are exposed to foreign currency translation risk. Group policy is to hedge the economic value of material foreign currency investments (limited to the net book value of the asset) in a particular currency with financial instruments including debt in the currency of the investment. The proportion to which an investment is hedged is individually determined having regard to the economic and accounting exposures and the currency of the investment. To complement these natural hedges, the Group uses instruments such as forwards, swaps, plain-vanilla foreign exchange options and, when appropriate, cross currency swaps. The hedging levels are reviewed periodically, in light of the market conditions and each time a material asset is added or removed.

The significant exchange rates applied in 2017 and in 2016 are disclosed in note 31.

A 10 percent strenghtening/weakening of the euro against the following currencies at 31 December would have increased/decreased equity and result from continuing operations by the amounts shown below. This analysis assumes that all other variables remain constant.

EUR million	Result from continuing operations		Equity	
	10% strenghtening	10% weakening	10% strenghtening	10% weakening
31 December 2017				
EUR vs GBP	-0.2	0.2	-	-
EUR vs USD	-1.8	2.2	-	-
31 December 2016				
EUR vs GBP	-0.2	0.3	-7.4	9.1
EUR vs USD	0.8	-0.9	-0.2	0.3

Price Risk

Price risk is related to oscillations in the prices of raw materials, semi-finished and finished goods purchased. Specifically, the price risk mainly arises from the presence of a limited number of supplier of goods and the need to guarantee procurement volumes. The Group also limits price risk through its procurement policy.

Counterparty risk

Exposure limits to financial counterparties in respect of both amount and duration are set in respect of derivatives and cash deposits. Such transactions are entered into with a limited number of pre-designated banks on the basis of their publicly available credit ratings, which are checked at least once a year. Limits on length of exposure per category of transaction are in place to protect liquidity and mitigate counterparty default risks. The instruments and their documentation must be authorized before entering the contemplated transactions.

NOTE 24: FINANCIAL INSTRUMENTS – FAIR VALUE AND RISK MANAGEMENT (continued)

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).

In 2017 and 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 and non-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:

EUR million	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Investment properties	9.0	10.0	3.8	5.9

In 2017 and 2016, for the non-current loans and borrowings (see note 22), the fair value is classified in level 2 of the fair value hierarchy, as described above.

In 2017 and 2016, the fair value of the investment properties (see note 13) is classified in level 3 of the fair value hierarchy as described above (valuation by an independent valuer who holds a recognised and relevant professional qualification).

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 Belron 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 25: BUSINESS COMBINATIONS

During the period, the Group made the following acquisitions:

- 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.
- On 1 July 2017, Belron acquired the assets of T:mi Kuopion Tuulilasihuolto, a fitting business in Finland.
- On 21 July 2017, Belron acquired the assets of Perfection Auto Glass, a fitting business in the US.
- On 1 October 2017, Belron acquired 100% of the shares of Eurocar Point, an ADRR (Automotive Damage Repair & Replacement) business in Italy.
- On 1 October 2017, Belron acquired 100% of the shares of Euroglass, an ADRR (Automotive Damage Repair & Replacement) business in Italy.
- On 1 October 2017, Belron acquired 100% of the shares of Euroglass Service, an ADRR (Automotive Damage Repair & Replacement) business in Italy.
- On 18 October 2017, Belron acquired control of 80% of the shares of Group Maisoning, a home repair business in France.
- On 1 November 2017, Belron acquired 100% of the shares of Bilglassexperten Bergen, a fitting business in Norway.
- On 1 December 2017, the D'Ieteren Auto segment acquired 100% of the shares of Immobilière Dumont 10.
- On 2 December 2017, Belron acquired 100% of the shares of 532810 B.C. Ltd, a fitting business in Canada.

The additional revenue arising subsequent to these acquisitions amounts approximately to EUR 47 million (approximately EUR 99 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)**
Intangible assets	5.0
Property, plant & equipment	8.7
Available-for-sale financial assets	0.4
Other receivables	0.2
Inventories	4.2
Current tax assets	1.0
Trade and other receivables	33.2
Cash and cash equivalents	1.4
Loans & borrowings	-3.6
Current provisions	-10.5
Current tax liabilities	-1.6
Trade and other payables	-24.7
Net assets acquired	**13.7**
Non-controlling interests	
Goodwill (see note 10)	38.6
TOTAL IDENTIFIABLE NET ASSETS ACQUIRED AND LIABILITIES ASSUMED	**52.3**
Consideration satisfied by:	
Cash payment	48.0
Non interest-bearing deferred consideration	4.3
TOTAL CONSIDERATION	**52.3**

(1) The fair values have been measured on a provisional basis (for some acquisitions). 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.

NOTE 25: BUSINESS COMBINATIONS (continued)

The goodwill recognised above reflects the expected synergies and other benefits resulting from the combination of the acquired activities with those of the D'Ieteren Auto and Belron segments. 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.

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 year 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 26: 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 31 December 2017, the exercise price of all options granted to non-controlling interests (put options with related call options, exercisable until 2024) amounts to its fair value of EUR 80.9 million (2016: EUR 90.0 million), based on the transaction price agreed between the Company and Clayton, Dubilier & Rice ("CD&R") regarding the acquisition by CD&R of a 40% stake in Belron (see notes 1 and 16). The transaction values Belron at EUR 3 billion (enterprise value) which, after deduction of debt-like items, translates into an equity value of about EUR 1,5 billion.

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 interest (EUR 7.0 million at 31 December 2017) is presented as additional goodwill (EUR 58.2 million at 31 December 2017; EUR 47.7 million at 31 December 2016 – see note 10).

For put options granted to non-controlling interests (1.0%) as from 1 January 2010, the re-measurement at year-end of the financial liability resulting from these options amounts to EUR 1.7 million and is recognised in the consolidated statement of profit or loss (net finance costs - see note 5).

NOTE 27: LIST OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The full list of companies concerned by articles 114 and 165 of the Royal Decree of 30 January 2001 implementing the Company Code will be lodged with the Central Balance Sheet department of the National Bank of Belgium. It is also available on request from the Company head office (see note 1). The main fully consolidated subsidiaries of the Company are listed below:

Name	Country of incorporation	% of share capital owned at 31 December 2017	% of share capital owned at 31 December 2016
D'Ieteren Auto			
s.a. D'Ieteren Sport n.v.	Belgium	100%	100%
s.a. D'Ieteren Services n.v.	Belgium	100%	100%
s.a. D'Ieteren Treasury n.v.	Belgium	100%	100%
s.a. D'Ieteren Immo n.v.	Belgium	100%	100%
s.a. Immobilière Dumont n.v.	Belgium	100%	-
D'Ieteren Vehicle Glass s.a.	Luxemburg	100%	100%
Dicobel s.a.	Belgium	100%	100%
PC Paal - Beringen n.v.	Belgium	100%	100%
Kronos Automobiles s.a.	Belgium	100%	100%
PC Liège s.a.	Belgium	100%	100%
S.M.A.R.T. & Clean Automotive Services s.a.	Belgium	100%	100%
Auto Center Kontich b.v.b.a.	Belgium	100%	100%
Auto Center Mechelen 2 b.v.b.a.	Belgium	100%	100%
PC Mechelen n.v.	Belgium	100%	100%
Automobiel Center Puurs n.v.	Belgium	100%	-
Autonatie n.v.	Belgium	100%	100%
Geel Automotive n.v.	Belgium	100%	100%
Overijse Automotive n.v.	Belgium	100%	100%
Y&N Claessens b.v.b.a.	Belgium	100%	100%
Belron			
Belron Group s.a.	Luxemburg	94.85%	94.85%
Moleskine			
Moleskine SpA	Italy	100%	100%

The main entity accounted for using the equity method is the joint venture Volkswagen D'Ieteren Finance s.a. (50% owned minus one share), incorporated in Belgium. See note 15 for adequate disclosures.

Belron Group s.a. and its subsidiaries have material non-controlling interests. The ownership interest held by non-controlling interests is 5.15%. Since the Belron segment comprises Belron Group s.a. and its subsidiaries, no specific additional disclosures are made.

In 2016, the weighted average percentage used for the consolidation of Moleskine's income statement (three months period ended 31 December 2016) was 71.52% (100% in 2017).

NOTE 28: DISCONTINUED OPERATIONS

Framework

On 28 November 2017, the Company announced the signing of a definitive agreement with Clayton, Dubilier and Rice (CD&R) regarding a partnership investment in Belron. The transaction whereby CD&R acquired a 40% stake in Belron closed on 7 February 2018. The Company and Belron's management will retain the remaining 60% ownership interest.

The Board of Directors of the Company concluded that, as of balance sheet date, the Group was committed to a sale plan which will involve loss of exclusive control of its subsidiary (some reserved matters being shared), and therefore decided to classify all the assets and liabilities of Belron as held for sale in the statement of financial position as at 31 December 2017 (see note 16); the recognition criteria defined in IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" being satisfied. In addition, it has decided to present the 12 months results of the Belron segment as a discontinued operation; the criteria of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" being also satisfied. The consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2016 have been restated accordingly. See note 16 and 28 of these consolidated financial statements for more information and adequate disclosures.

Belron's results will be included under equity accounting method (54.85% stake; joint control with CD&R) from 2018 onwards following the loss of exclusive control at the closing of the transaction (7 February 2018).

Measurement of the disposal group

These assets and liabilities of Belron are measured to the lower of carrying amount and fair value less costs of disposal at the date of the classification. The fair value less costs of disposal is based on the transaction price agreed between the Company and Clayton, Dubilier & Rice ("CD&R") regarding the acquisition by CD&R of a 40% stake in Belron. The transaction values Belron at EUR 3 billion (enterprise value) which, after deduction of debt-like items, translates into an equity value of about EUR 1,5 billion.

In accordance with the requirements of IFRS 5, the Group did not depreciate the Belron's non-current assets as from the date (28 November 2017) of its classification as held for sale. The impact in the consolidated income statement is EUR 10.5 million.

Results of discontinued operations

The result of the Belron segment is presented below:

EUR million	2017	2016
Sales	**3,486.2**	**3,305.4**
Operating result	**148.5**	**41.6**
Net finance costs	-86.1	-35.5
Result before tax	**62.4**	**6.1**
Share of result of equity-accounted investees	-	-0.8
Tax expense	-18.8	-21.6
Result after tax of discontinued operations	**43.6**	**-16.3**
Recycling of currency translation reserve	-	-24.9
Result after tax from discontinued operations	**43.6**	**-41.2**
Basic earnings (loss) per share from discontinued operations (EUR)	**0.8**	**-0.7**
Diluted earnings (loss) per share from discontinued operations (EUR)	**0.8**	**-0.7**

The net finance costs include the refinancing fees and make whole costs for the early reimbursement of the USPPs for an amount of EUR 48.7 million. See notes 16 and 22 for more information on the refinancing of Belron.

On 7 January 2016 the Belron segment sold 60% of its investment in Carglass Brazil to Advisia, following a management review of the business during 2015 which concluded that the significant challenges leading to declines in market share made the financial commitment in Brazil unsustainable. This sale of Carglass Brazil involved the loss of exclusive control of the subsidiary and the remaining 40% interest has been accounted for as an equiy investment as from 2016. According to the requirements of IAS 21 the cumulative amount of foreign exchange difference held in translation reserve had been recycled to profit or loss (non-cash charge of EUR 24.9 million in 2016) on disposal of the Brazilian subsidiary.

Assets and liabilities classified as held for sale

See note 16 for the detail of the assets and liabilities of the Belron segment classified as held for sale as at 31 December 2017.

NOTE 28: DISCONTINUED OPERATIONS (continued)

Cash flow from discontinued operations

EUR million - Year ended 31 December	2017	2016
Net cash generated from operating activities	244.2	238.4
Net cash from investing activities	-184.5	-135.2
Net cash from financing activities	-22.5	-70.8
Effect on cash flows	**37.2**	32.4

NOTE 29: CONTINGENCIES AND COMMITMENTS

EUR million	2017	2016
Commitments to acquisition of non-current assets	1.2	21.4
Other important commitments:		
Commitments given	23.6	26.8
Commitments received	24.2	26.8

In 2017 and in 2016, the commitments to acquisition of non-current assets mainly concern intangible assets and property, plant and equipment in the D'Ieteren Auto and in the Belron segments (2016 only).

The Group is a lessee in a number of operating leases (mainly buildings, stores, non-fleet vehicles and items of property, plant and equipment). The related future minimum lease payments under non-cancellable operating leases, per maturity, are as follows:

EUR million	2017	2016
Within one year	9.1	131.2
Later than one year and less than five years	25.1	364.2
After five years	7.8	133.7
Total	**42.0**	**629.1**

In 2017, the related future minimum lease payments do not include those of the Belron segment (classification as held for sale).

The Group also acts as a lessor in a number of operating leases, normally when the Group has been unable to extricate itself from a head lease when the use of that head lease is no longer required. The related future minimum lease payments under non-cancellable operating leases, per maturity, are as follows:

EUR million	2017			2016		
	Investment property	Other property, plant and equipment	Total	Investment property	Other property, plant and equipment	Total
Within one year	1.1	-	1.1	0.8	1.6	2.4
Later than one year and less than five years	3.7	-	3.7	2.3	3.5	5.8
After five years	1.5	-	1.5	0.6	0.5	1.1
Total	**6.3**	**-**	**6.3**	**3.7**	**5.6**	**9.3**

At each year end, the Group also has various other prepaid operating lease commitments in relation to vehicles sold under buy-back agreements, included in deferred income in note 23.

The revenue, expenses, rights and obligations arising from leasing arrangements regarding investment property are not considered material to the Group, and accordingly a general description of these leasing arrangements is not disclosed.

NOTE 30: RELATED PARTY TRANSACTIONS

EUR million	2017	2016
With entities with joint control or significant influence over the Group:		
Amount of the transactions entered into during the period	0.5	0.7
Outstanding creditor balance at 31 December	-	0.4
With joint ventures in which the Group is a venturer:		
Sales	142.6	128.1
Purchases	-85.1	-36.0
Trade receivables outstanding at 31 December	6.1	20.2
With key management personnel:		
Compensation:		
Short-term employee benefits	7.7	4.2
Post-employment benefits	0.3	0.3
Total compensation	8.0	4.5
Outstanding creditor balance at 31 December	0.6	0.1
With other related parties:		
Amount of the transactions entered into during the period	0.3	-

Shareholders and other related parties

The Nayarit group (Nayarit Participations S.c.a., Roland D'Ieteren and Nicolas D'Ieteren) and the SPDG group (s.a. de Participations et de Gestion, Reptid Commercial Corporation, Catheline D'Ieteren and Olivier Périer), acting in concert following an agreement pertaining to the exercise of their voting rights with a view to leading a sustainable joint strategy, together hold 60.66% of the voting rights of the Company (see note 20).

In 2017, some of these shareholders or entities linked to them carried out commercial transactions with the Company. These transactions (total of EUR 0.8 million) can be outlined as follows:

- Automobile repairs and supply of spare parts carried out by the Company and invoiced to these parties for a total amount of EUR 0.5 million;
- Automobile repairs and supply of spare parts carried out by one of these parties and invoiced to the Company for a total amount of EUR 0.03 million;
- The maintenance of property carried out by the Company and invoiced to one of these parties for a total amount of EUR 0.05 million;
- Architecture fees invoiced by one of these parties to the Company for a total amount of EUR 0.2 million.
- The rental by one of these parties of a property belonging to a subsidiary of the Company which led to the payment of a rent for a total amount of 0.06 million.

The Company also made available, until June 2017, to some of these shareholders an interest-bearing current bank account, which showed a balance before closure of EUR 0.4 million. These accounts were closed in June 2017.

See notes 19 and 26 for relations with a non-controlling interest of Belron.

Associates

D'Ieteren Vehicle Trading (DVT) s.a. is a 49%-owned associate, previously active in finance lease services to customers (see note 15 for more information).

The low level of transactions in 2016 and 2017 between the Company and DVT is explained by the transfer to Volkswagen D'Ieteren Finance (VDFin – see below), as from June 2012, of new requests for finance lease services to customers of the D'Ieteren Auto segment.

NOTE 30: RELATED PARTY TRANSACTIONS (continued)

Joint Ventures

In 2017, the Group was venturer in three joint ventures, the main one being Volkswagen D'Ieteren Finance (VDFin). The Company's shareholding (50%) in OTA keys SA was sold in July 2017. See note 15 for more information related to the remaining joint ventures.

In 2017, sales of EUR 142.6 million to joint ventures mainly consist of sales of new vehicles by the D'Ieteren Auto segment to VDFin. Purchases of EUR 85.1 million mainly relate to used cars purchased by the D'Ieteren Auto segment from VDFin (former fleet vehicles). The outstanding trade receivables (EUR 6.1 million) are related to VDFin.

Key management personnel

The key managers comprise the members of the Company's Board of Directors and its Executive Committee (see the Corporate Governance Statement).

In 2017, a total of 120,000 options were issued to key managers (at an exercise price of EUR 41.80 per option). For more information on the remuneration of key managers, reference is made to the remuneration report that can be found in the Corporate Governance Statement.

In 2017, loans for a total amount of EUR 0.3 million were granted by a subsidiary of the Company to the members of the Executive Committee in the framework of the share option scheme in order to enable the individuals concerned to pay taxes due at the moment the options were accepted. The loans were granted for periods of 10, 7 or 5 years with interest rates of respectively 2.2%, 1.9% and 1.5%. Article 523 of the Company Code was applied to the CEO who is also a board member.

NOTE 31: EXCHANGE RATES

Monthly income statements of foreign operations are translated at the relevant rate of exchange for that month. Except for the statement of financial position which is translated at the closing rate, each line item in these consolidated financial statements represents a weighted average rate.

The main exchange rates used for the translations were as follows:

Number of euros for one unit of foreign currency	2017	2016
Closing rate		
AUD	0.65	0.68
BRL	0.25	0.29
CAD	0.66	0.71
GBP	1.13	1.17
USD	0.83	0.95
HKD	0.11	0.12
CNY	0.13	0.14
JPY	0.01	0.01
SGD	0.62	0.66
Average rate (1)		
AUD	0.68	0.67
BRL	0.27	0.26
CAD	0.68	0.69
GBP	1.14	1.22
USD	0.89	0.91
HKD	0.11	0.12
CNY	0.13	0.14
JPY	0.01	0.01
SGD	0.64	0.65

(1) Effective average rate for the profit or loss attributable to equity holders.

NOTE 32: SERVICES PROVIDED BY THE STATUTORY AUDITOR

The external audit is conducted by KPMG Réviseurs d'Entreprises, represented by Alexis Palm, whose audit mandate expires at the General Meeting of 2020.

EUR million	2017	2016
Audit services	**3.0**	**2.5**
KPMG Belgium	0.5	0.5
Other offices in the KPMG network	2.5	2.0
Non-audit services	**1.3**	**3.0**
KPMG Belgium	0.3	0.9
Other offices in the KPMG network	1.0	2.1
Services provided by the Statutory Auditor	**4.3**	**5.5**

Based on total audit fees of EUR 3.0 million, fees for non-audit services as a percentage of total fees amount to 43%, which is less than 70%.

NOTE 33: SUBSEQUENT EVENTS

D'Ieteren Auto

In January 2018 D'Ieteren Auto acquired two Rietje dealerships and a multi brand body shop in the northern Antwerp region. The deal does not include the buildings and is in line with D'Ieteren's strategy to reinforce its retail presence on the Antwerp-Brussels axis.

Belron

On 28 November 2017, the Company announced the signing of a definitive agreement with Clayton, Dubilier and Rice (CD&R) regarding a partnership investment in Belron. The transaction whereby CD&R acquired a 40% stake in Belron closed on 7 February 2018. The Company and Belron's management will retain the remaining 60% ownership interest. Belron's results will be included under equity accounting method (54.85% stake; joint control with CD&R) from 7 February 2018 onwards following the loss of exclusive control at the closing of the transaction.

Based on the transaction price agreed between the Company and CD&R (EUR 3 billion of enterprise value which, after deduction of debt-like items, translates into an equity value of about EUR 1.5 billion), the total consolidated gain on disposal (recognised on 100% of Belron in accordance with the requirements of IFRS 10) amounts to ca. EUR 1 billion, of which ca. EUR 0.6 billion is cash.

No other significant transactions out of the ordinary course of business occurred between the closing date and the date these consolidated financial statements were authorised for issue.

NOTE 34: ACCOUNTING POLICIES

Note 34.1: Basis of Preparation

These 2017 consolidated financial statements are for the 12 months ended 31 December 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 the International Financial Reporting Standards ("IFRS") and the related International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued which have been adopted by the European Union ("EU") as at 31 December 2017 and are effective for the period ending 31 December 2017.

These consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, money market assets (short-term securities of monetary instruments) classified within cash and cash equivalents, employee benefits, non-current assets and liabilities held for sale, business combination and financial assets and financial liabilities (including derivative instruments) that have been measured at fair value.

These consolidated financial statements are prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from these estimates. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are mainly the measurement of defined benefit obligations (key actuarial assumptions), the recognition of deferred tax assets (availability of future taxable profit against which carryforward tax losses can be used), goodwill and brands with indefinite useful lives, the impairment test (key assumptions underlying recoverable amounts), the recognition and measurement of provisions and contingencies (key assumptions about the likelihood and magnitude of an outflow of resources) the allowance for doubtful trade receivables (management's best estimate of losses on trade receivables), provision for inventory obsolescence and the acquisition of subsidiary (fair value of the consideration transferred and of the assets acquired and liabilities assumed, measured on a provisional basis). They are also disclosed in the relevant notes.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The main areas are share-based payments, investment properties, financial instruments and business combinations. When measuring the fair value of an asset or a liability,the Group used observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques. Further information is included in the relevant notes, especially the note 24.

Note 34.2: Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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", 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 – endorsed by the EU on 26 February 2018);
- Amendments to IAS 40 "Investment Property" (effective 1 January 2018 – subject to endorsement by the EU);
- Amendments to IAS 28 "Long Term Interests in Associates and Joint Ventures" (effective 1 January 2019 – subject to endorsement by the EU)
- Annual improvements to IFRS 2014-2016 cycle (effective 1 January 2018 – subject to endorsement by the EU);
- Annual improvements to IFRS 2015-2017 cycle (effective 1 January 2019 – 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);

NOTE 34: ACCOUNTING POLICIES (continued)

- 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 31 December 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.

IFRS 15 "Revenue from Contracts with Customers"

In the D'Ieteren Auto 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 31 December 2017 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 Belron segment assessed the impact of the new standard using the five-step model per IFRS 15. The assessment concluded there are no significant changes to the recognition and measurement of revenue for the main revenue stream of VGRR and related ancillary revenue streams which include claims management and accident repair.

Licenses and franchising agreements are distinct from goods and services included in a contract and therefore represent separate performance obligations. This revenue stream is not significant to the Group's financial statements.

There will be increased disclosure requirements showing each major stream of revenue, effective from January 2018.

In the Moleskine segment, the Group performed a 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) Shipping: 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.

The assessment revealed that the adoption of the new standard won't significantly alter the timing of revenue recognition and won't have a significant impact on the Group's financial statements.

NOTE 34: ACCOUNTING POLICIES (continued)

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 Belron and Moleskine segments. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions. So far, 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 on lease liabilities.

In the Belron segment, the standard will primarily affect the accounting for the operating leases (mainly buildings rentals). As at 31 December 2017, the amount of additional assets and liabilities that would be recognized if IFRS 16 was adopted is estimated at ca. EUR 550 million. The magnitude of the balance sheet impacts and of the nature of expenses related to those leases will be further analysed in 2018.

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. The assessment performed as at 31 December 2017 revealed non-cancellable operating lease commitments of ca. EUR 40 million, suggesting a material impact on the Group's financial statements. The magnitude of the balance sheet impacts and of the nature of expenses related to those leases will be further analysed in 2018.

No significant impact is expected in the D'Ieteren Auto segment.

The Group does not intend to adopt the standard before its effective date (1 January 2019).

Principles of Consolidation

Subsidiary undertakings

Subsidiary undertakings, which are those entities in which the Group has, directly or indirectly, an interest of more than half of the voting rights or otherwise has the power to exercise control over the operations, are consolidated. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date that control is transferred to the Group, and are no longer consolidated from the date that control ceases. All inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated upon consolidation.

Transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest (that do not result in loss of control) are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date where control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income are reclassified to profit or loss if required by IFRS standards.

Associated undertakings

Associates are all entities over which the Group has significant influence but not control or joint control, over the financial and operating policies. Investments in associates are accounted for using the equity method. The investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition, until the date on which significant influence or joint control ceases. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of profit from the associate represents the Group's share of the associate's profit after tax. Profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealised gains on transactions between the Group and its associate are also eliminated based on the same principle; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

NOTE 34: ACCOUNTING POLICIES (continued)

Interests in joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in joint ventures are recognised using the equity method. The above principles regarding associated undertakings are also applicable to joint ventures.

Impairment of associates and joint ventures

The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount adjacent to “share of profit/(loss) of an associate/joint venture” in the income statement.

Foreign Currency Translation

The Group consolidation is prepared in euro. Income statements of foreign operations are translated into euro at the weighted average exchange rates for the period and statements of financial positions are translated into euro at the exchange rate at the reporting date (except for each component of equity, translated once at the exchange rates at the dates of the relevant transactions). Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate. The translation reserve, which is recorded in other comprehensive income includes both the difference generated by translating income statement items at a different exchange rate from the period-end rate and the differences generated by translating opening shareholders’ equity amounts at a different exchange rate from the period-end rate.

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised within the income statement. Exchange movements arising from the retranslation at closing rates of the Group’s net investment in subsidiaries, joint ventures and associates are taken to the translation reserve component in other comprehensive income. The Group’s net investment includes the Group’s share of net assets of subsidiaries, joint ventures and associates, and certain inter-company loans. The net investment definition includes loans between “sister” companies and certain inter-company items denominated in any currency. Other exchange movements are taken to the income statement.

Where the Group hedges net investments in foreign operations, the gains and losses relating to the effective portion of the hedging instrument are recognised in the translation reserve in other comprehensive income. The gain or loss relating to any ineffective portion is recognised in the income statement. Gains and losses accumulated in other comprehensive income are included in the income statement when the foreign operation is disposed of.

Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest and previously held interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net recognised amount (generally at fair value) of the identifiable assets acquired and liabilities assumed constitutes goodwill, and is recognised as an asset. In case this excess is negative, it is recognised immediately in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Acquisition-related costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGU’s or groups of CGU’s that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level for business combinations and transactions performed by the Company, and at the country level for business combinations performed by Belron s.a. and its subsidiaries.

NOTE 34: ACCOUNTING POLICIES (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intangible Assets

An item of intangible assets is valued at its cost less any accumulated amortisation and any accumulated impairment losses. Customer contracts and brands acquired in a business combination are recognised at fair value at the acquisition date. Generally, costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group which have probable economic benefits exceeding the cost beyond one year are recognised as intangible assets.

The amortisation method used reflects the pattern in which the assets's future economic benefits are expected to be consumed. Intangible assets with a finite useful life are generally amortised over their useful life on a straight line basis. The estimated useful lives are between 2 and 10 years.

Brands for which there is a limit to the period over which these assets are expected to generate cash inflows will be amortised on a straight line basis over their remaining useful lives which are estimated to be up to 5 years. Amortisation periods are reassessed annually.

Brands that have indefinite useful lives are those, thanks to the marketing spend, the advertising made and the absence of factors that could cause their obsolescence, where there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows for the Group. They are therefore not amortised but tested for impairment annually.

For any intangible asset with a finite or indefinite useful life, where an indication of impairment exists, its carrying amount is assessed and written down immediately to its recoverable amount. Impairment losses are recognised in the consolidated income statement.

Expenditure on internally generated intangible assets is recognised in the consolidated income statement as an expense as incurred. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit, on a pro rata basis.

Research and Development

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) the Group has the intention to complete the intangible asset and use or sell it;
(c) the Group has ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
(f) the Group has the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Property, Plant and Equipment

An item of property, plant and equipment is initially measured at cost. This cost comprises its purchase price (including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates), plus any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating. If applicable, the initial estimate of the cost of dismantling and removing the item and restoring the site is also included in the cost of the item. After initial recognition, the item is carried at its cost less any accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

NOTE 34: ACCOUNTING POLICIES (continued)

The depreciable amount of the item is allocated according to the straight-line method over its useful life. Land is not depreciated. The main depreciation periods are the following:

- Buildings: 40 to 50 years;
- Plant and equipment: 3 to 15 years;
- IT equipment: 2 to 7 years;
- Leased assets: depending on the length of the lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leases

Operating leases for which the Group is the lessor

Assets leased out under operating leases in which a significant portion of the risks and rewards of ownership are retained by the lessor (other than vehicles sold under buy-back agreements) are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives. Rental income is recognised on a straight-line basis over the lease term.

Operating leases for which the Group is the lessee

Lease payments under operating leases are recognised as expenses in the income statement on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Finance leases for which the Group is the lessee

Leases of property, plant and equipment for which substantially all the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charge so as to achieve a constant rate of return on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The leased assets are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. If there is no reasonable certainty that ownership will be acquired by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Vehicles sold under buy-back agreements

Vehicles sold under buy-back agreements are accounted for as operating leases (lessor accounting), and are presented in the statement of financial position under inventories. The difference between the sale price and the repurchase price (buy-back obligation) is considered as deferred income, while buy-back obligations are recognised in trade payables. The deferred income is recognised as revenue on a straight line basis over the relevant vehicle holding period.

Investment Properties

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. These items are amortised over their useful life on a straight-line basis method. The estimated useful lives are between 40 and 50 years.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Items that are not interchangeable, like new vehicles and second-hand vehicles, are valued using specific identification of their individual costs. Other items are valued using the first in, first out or weighted average cost formula. When inventories are used, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. Losses and write-downs of inventories are recognised in the period in which they occur. Reversal of a write-down is recognised as a credit to cost of sales in the period in which the reversal occurs.

Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits, excluding any blocked or restricted cash held by the Group. Cash equivalents are short-term (maximum 3 months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTE 34: ACCOUNTING POLICIES (continued)

Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effect(s).

Where the Company (or its subsidiaries) reacquires its own equity instruments, those instruments are deducted from equity as treasury shares. Where such equity instruments are subsequently sold, any consideration received is recognised in equity.

Dividends to holders of equity instruments proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date; it is presented in equity.

Provisions

A provision is recognised when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

If these conditions are not met, no provision is recognised. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Post-employment Employee Benefits

The Group has various defined benefit pension plans and defined contribution pension plans. Most of these plans are funded schemes, i.e. they are financed through a pension fund or an external insurance policy. The minimum funding level of these schemes is defined by national rules.

Obligations for contributions to *defined contribution pension plans* are charged as an expense as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group's commitments under *defined benefit pension plans*, and the related costs, are valued using the "projected unit credit method", with independent actuaries carrying out the valuations at least on a yearly basis. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised in other comprehensive income. Past service cost is recognised immediately to the extent that the benefits have already vested, and otherwise is amortised on a straight line basis until the benefits become vested.

The long-term employee benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligations as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of any refunds and reductions in future contributions to the plan.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Other long-term incentives

The group recognises a provision for long-term incentives where they are contractually obliged or where there is a past practice that has created a constructive obligation. This provision is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

NOTE 34: ACCOUNTING POLICIES (continued)

Financial Instruments Excluding Derivatives

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Held-to-maturity investments

These assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and 'other financial assets' in the statement of financial position.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Measurement of financial instruments:

(a) Available-for-sale financial assets are measured at fair value through other comprehensive income. Impairment losses are recorded in the income statement.
(b) The cost of treasury shares is deducted from equity.
(c) Trade and other receivables are measured at their amortised cost using the effective interest rate method, as reduced by appropriate allowances for irrecoverable amounts.
(d) Financial assets held for trading are measured at fair value.
(e) Trade and other payables, as well as borrowings, are measured at amortised cost using the effective interest rate method.

Financial Instruments – Derivatives

Derivatives are used as hedges in the financing and financial risk management of the Group.

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps, and options to hedge these exposures. The Group does not use derivatives for speculative purposes. However, certain financial derivative transactions, while constituting effective economic hedges, do not qualify for hedge accounting under the specific rules in IAS 39.

Derivatives are recorded initially and subsequently at fair value. Any directly attributable transaction costs are recognised in profit or loss as incurred. Unless accounted for as hedges, they are classified as held for trading and are subsequently measured at fair value. Derivatives classified as held for trading are those which do not meet the strict criteria of IAS 39 for application of hedge accouting. Changes in fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement as they arise.

NOTE 34: ACCOUNTING POLICIES (continued)

Cash flow hedge

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and any ineffective portion is recognised immediately in the income statement. If the cash flow hedge is a firm commitment or the forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in other comprehensive income are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Fair value hedge

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with a corresponding entry in profit or loss. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are recognised in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. In the case of a cash flow hedge, any cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss when profit or loss is impacted by the hedged item. If the forecast transaction is no longer expected to occur, the cumulative gain or loss is reclassified in the profit or loss immediately.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not carried at fair value with unrealised gains or losses reported in income statement.

Put Options Granted to Non-Controlling Interests

The Group is committed to acquiring the non-controlling interests owned by third parties in Belron, 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. For put options granted to non-controlling interests prior to 1 January 2010, the goodwill is adjusted at period end to reflect the change in the exercise price of the options and the carrying value of non-controlling interest to which they relate.

Due to the introduction of the revised version of IFRS 3 (effective date 1 January 2010), for put options granted to non-controlling interests as from 1 January 2010, at inception, the difference between the consideration received and the exercise price of the options granted is recognised against the group's share of equity. At each period end, the re-measurement of the financial liability resulting from these options will be recognised in the consolidated income statement (net finance costs).

Non-Current Assets (or Disposal Groups) Held for Sale and Discontinued Operations

Non-current assets (or disposal groups comprising assets and liabilities) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of the business or geographical area of operations that either has been disposed of, or is classified as held for sale and is disclosed as a single line item in the income statement. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Revenue Recognition

Revenue from the *sale of goods* is recognised when all the following conditions have been satisfied:

(a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
(e) the cost incurred or to be incurred in respect of transaction can be measured reliably.

When the outcome of a transaction involving the *rendering of services* can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date.

NOTE 34: ACCOUNTING POLICIES (continued)

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

(a) the amount of revenue can be measured reliably;

(b) it is probable that the economic benefits associated with the transaction will flow to the Group;

(c) the stage of completion of the transaction at the balance sheet date can be measured reliably; and

(d) the cost incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured net of returns, trade discounts and volume rebates.

Interest is recognised on a time proportion basis that takes into account the effective yield on the asset. *Royalties* are recognised on an accrual basis in accordance with the substance of the relevant agreement. *Dividends* are recognised when the shareholder's right to receive payment has been established.

In the income statement, sales of goods, rendering of services and royalties are presented under the heading "revenue". Interest income is presented under the heading "net finance costs".

Share-Based Payments

Share-based payments are exclusively made in connection with employee stock option plans ("ESOP").

Equity-settled ESOP granted after 7 November 2002 are accounted for in accordance with IFRS 2, such that their cost is recognised in the income statement, with a corresponding increase in equity, over the vesting period of the awards.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Government Grants

Government grants related to assets are presented in liabilities as deferred income, and amortised over the useful life of the related assets.

Income Taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or other comprehensive income.

Current taxes relating to current and prior periods are, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset. The benefit relating to a tax loss that can be carried back to recover current tax of a previous period is recognised as an asset. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred taxes are provided in full using the balance sheet liability method, on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not calculated on the following temporary differences: (i) the initial recognition of goodwill and (ii) the initial recognition of assets and liabilities that affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Statutory Auditor's report

Statutory auditor's report to the general meeting of D'Ieteren SA on the consolidated financial statements as of and for the year ended 31 December 2017

FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR'S REPORT ORIGINALLY PREPARED IN FRENCH

In the context of the statutory audit of the consolidated financial statements of D'Ieteren SA ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the audit of the consolidated financial statements for the year ended 31 December 2017, as well as our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed as statutory auditor by the general meeting of 1 June 2017, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2019. We have performed the statutory audit of the consolidated financial statements D'Ieteren SA for 4 consecutive financial years.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 4,295.9 million and the consolidated statement of profit or loss shows a profit for the year of EUR 114.9 million.

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Commitment of the Group to a sale plan which will involve loss of exclusive control of Belron and subsidiaries

We refer to notes 28 "Discontinued operations" and 33 "Subsequent events" of the consolidated financial statements.

- Description

On 28 November 2017, the Company announced the signing of a definitive agreement with Clayton, Dubilier and Rice (CD&R) regarding a partnership investment in Belron. The transaction whereby CD&R acquired a 40% stake in Belron closed on 7 February 2018. The Company and Belron's management will retain the remaining 60% ownership interest (54.85% and 5.15% respectively).

The Board of Directors of the Company concluded that, as of balance sheet date, the Group was committed to a sale plan which will involve loss of exclusive control of its subsidiary (some reserved matters being shared), and therefore decided to classify all the assets and liabilities of Belron as held for sale in the statement of financial position as at 31 December 2017 (the recognition criteria defined in IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" being satisfied). In addition, it has decided to present the 12 months results of the Belron segment as a discontinued operation, the criteria of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" being also satisfied. The consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2016 have been restated accordingly.

Belron's results will be included under equity accounting method (54.85% stake but joint control with CD&R) from 2018 onwards following the loss of exclusive control at the closing of the transaction (7 February 2018).

The presentation and consolidation of Belron and subsidiaries, in view of the signing of the partnership agreement prior to year-end is a Key Audit Matter due to:

- the unusual character of the transaction, its significance and complexity;
- the magnitude of the impacts on the Group's consolidated financial statements, in particular the presentation and measurement of the assets, liabilities, results and cash flows of Belron and subsidiaries in the Group's financial statements and the potential effects of the transactions connected to the partnership agreement, as well as the significance to the users of the consolidated financial statements of the information to be disclosed in the notes thereof.

- Our audit procedures

With the involvement of our specialists, our procedures included, amongst others:

- reading the agreements with the new investor and other relevant supporting documentation to gain an understanding of the transaction and its accounting implications, in particular as it relates to risks retained by the Group;
- assessing whether the transaction leads to a loss of exclusive control in accordance with the relevant accounting standards (*IFRS 10 – Consolidated Financial Statements*), determining when the exclusive control is effectively lost and validating the appropriateness of the accounting treatment and entries based on the relevant accounting standards;
- evaluating whether the risks retained as a result of the transaction are adequately reflected in the Group's consolidated financial statements;
- assessing the adequacy of the relevant disclosures in the consolidated financial statements.

Board of directors' responsibilities for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on the other legal, regulatory and professional requirements

Responsibilities of the Board of Directors

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements and the other information included in the annual report.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements and the other information included in the annual report, and to report on these matters.

Aspects concerning the board of directors' annual report on the consolidated financial statements and other information included in the annual report

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements and other information included in the annual report:

- "Key Figures" and "Key Indicators" included in the section "Activity Report"; and
- "2017 Full-Year Results" included in the section "Financial and Directors' Report 2017"

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you. We do not express any form of assurance on the board of directors' annual report on the consolidated financial statements and other information included in the annual report.

The non-financial information required by article 119 §2 of the Companies' Code has been included in the board of directors' annual report on the consolidated financial statements, which is part of section "Financial And Directors' Report 2017" of the annual report. The Company has prepared this non-financial information based on the Global Reporting Initiative (GRI) framework. However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with the Global Reporting Initiative (GRI) framework. In addition, we do not express any form of assurance regarding the individual elements included in this non-financial information.

Information about the independence

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 134 of the Companies' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

Other aspect

This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Brussels, March 30, 2018

KPMG Bedrijfsrevisoren / Réviseurs d'Entreprises
Statutory Auditor
represented by

Alexis Palm
Réviseur d'Entreprises / Bedrijfsrevisor

s.a. D'Ieteren n.v. Summarised Statutory Financial Statements 2017

CONTENTS

83 SUMMARISED BALANCE SHEET

84 SUMMARISED INCOME STATEMENT

84 SUMMARISED APPROPRIATION

85 SUMMARY OF ACCOUNTING POLICIES

The statutory financial statements of s.a. D'Ieteren n.v. are summarised below in accordance with article 105 of the Company Code. The unabridged version of the statutory financial statements of s.a. D'Ieteren n.v., the related management report and Statutory Auditor's report shall be deposited at the National Bank of Belgium within the legal deadline and may be obtained free of charge from the internet site www.dieteren.com or on request from:

s.a. D'Ieteren n.v.
Rue du Mail 50
B-1050 Brussels

The Statutory Auditor has issued an unqualified opinion on the statutory financial statements of s.a. D'Ieteren n.v.

Summarised Balance Sheet

At 31 December

EUR million		2017	2016
ASSETS			
Fixed assets		**2,140.0**	**2,700.4**
II.	Intangible assets	10.4	9.3
III.	Tangible assets	20.3	19.2
IV.	Financial assets	2,109.3	2,671.9
Current assets		**1,506.3**	**625.9**
V.	Non-current receivables	20.1	20.0
VI.	Stocks	291.2	300.5
VII.	Amounts receivable within one year	1,150.7	266.8
VIII.	Investments	36.6	37.0
IX.	Cash at bank and in hand	0.4	0.4
X.	Deferred charges and accrued income	7.3	3.3
TOTAL ASSETS		**3,646.3**	**3,328.4**

EUR million		2017	2016
LIABILITIES			
Capital and reserves		**1,493.9**	**887.9**
I.A.	Issued capital	160.0	160.0
II.	Share premium account	24.4	24.4
IV.	Reserves	1,295.0	689.0
V.	Accumulated profits	14.5	14.5
Provisions and deferred taxes		**20.4**	**24.3**
Creditors		**2,132.0**	**2,416.2**
VIII.	Amounts payable after one year	953.2	1,203.2
IX.	Amounts payable within one year	1,137.7	1,163.0
X.	Accrued charges and deferred income	41.1	50.0
TOTAL LIABILITIES		**3,646.3**	**3,328.4**

Summarised Income Statement

Year ended 31 December

EUR million		2017	2016
I.	Operating income	3,209.0	3,040.3
II.	Operating charges	3,153.4	2,976.2
III.	Operating profit	55.6	64.1
IV.	Financial income	789.7	41.2
V.	Financial charges	30.8	35.7
IX.	Result for the period before taxes	814.5	69.6
IXbis.	Deferred taxes	0.4	-1.8
X.	Income taxes	-0.5	-0.1
XI.	Result for the period	814.4	67.7
XII.	Variation of untaxed reserves (1)	0.2	-3.2
XIII.	Result for the period available for appropriation	814.6	64.5

(1) Transfers from untaxed reserves (+) / Transfers to untaxed reserves (-).

Summarised Appropriation

Year ended 31 December

EUR million	2017	2016
APPROPRIATION ACCOUNT		
Profit (loss) to be appropriated	829.1	66.5
Gain (loss) of the period available for appropriation	814.6	64.5
Profit (loss) brought forward	14.5	2.0
Withdrawals from capital and reserves	1.0	1.1
from capital and share premium account		-
from reserves	1.0	1.1
Transfer to capital and reserves	607.2	1.0
to capital and share premium account		-
to legal reserve		-
to other reserves	607.2	1.0
Profit (loss) to be carried forward	14.5	14.5
Profit to be distributed	208.4	52.1
Dividends	208.4	52.1

This proposed appropriation is subject to approval by the Annual General Meeting of 31 May 2018.

Summary of Accounting Policies

The **capitalised costs for the development of information technology projects (intangible assets)** are amortised on a straight-line basis over their useful life. The amortisation period cannot be less than 2 years nor higher than 7 years.

Tangible Fixed Assets are recognised at their acquisition value; this value does not include borrowing costs. Assets held by virtue of long-term leases (“emphytéose”), finance leases or similar rights are entered at their capital reconstitution cost. The rates of depreciation for fixed assets depend on the probable economic lifetime for the assets concerned. As from 1 January 2003, tangible fixed assets acquired or constructed after this date shall be depreciated pro rata temporis and the ancillary costs shall be depreciated at the same rate as the tangible fixed assets to which they relate.

The main depreciation rates are the following:

	Rate	Method
Buildings	5%	L/D
Building improvements	10%	L/D
Warehouse and garage	15%	L/D
Network identification equipment	20%	L/D
Furniture	10%	L/D
Office equipment	20%	L/D
Rolling stock	25%	L
Heating system	10%	L/D
EDP hardware	20%-33%	L/D

L: straight line.
D: declining balance (at a rate twice as high as the equivalent straight line rate).

Tangible fixed assets are revalued if they represent a definite, long-term capital gain. Depreciation of any revaluation surplus is calculated linearly over the remaining lifetime in terms of the depreciation period of the asset concerned.

Financial Fixed Assets are entered either at their acquisition price, after deduction of the uncalled amounts (in the case of shareholdings), or at their nominal value (amounts receivable). They can be revalued, and are written down if they suffer a capital loss or a justifiable long-term loss in value. The ancillary costs are charged to the income statement during the financial year.

Amounts Receivable within one year and those receivable after one year are recorded at their nominal value. Write-downs are applied if repayment by the due date is uncertain or compromised in whole or in part, or if the repayment value at the closing date is less than the book value.

Stocks of new vehicles are valued at their individual acquisition price. Other categories of stocks are valued at their acquisition price according to the fifo method, the weighted average price or the individual acquisition price. Write-downs are applied as appropriate, according to the selling price or the market value.

Treasury Investments and Cash at Bank and in Hand are recorded at their acquisition value. They are written down if their realisation value on the closing date of the financial year is less than their acquisition value.

When these treasury investments consist of own shares held for hedging share options, additional write-downs are applied if the exercise price is less than the book value resulting from the above paragraph.

Provisions for Liabilities and Charges are subject to individual valuation, taking into account any foreseeable risks. They are written back by the appropriate amount at the end of the financial year if they exceed the current assessment of the risks which they were set aside to cover.

Amounts Payables are recorded at their nominal value.

Valuation of assets and liabilities in foreign currencies

Financial fixed assets are valued in accordance with recommendation 152/4 by the Accounting Standards Commission. Stocks are valued at their historical cost. However, the market value (as defined by the average rate on the closing date of the balance sheet) is applied if this is less than the historical cost. Monetary items and commitments are valued at the official rate on the closing date, or at the contractual rate in the case of specific hedging operations. Only negative differences for each currency are entered in the income statement.

Corporate Governance Statement

The Company adheres to the corporate governance principles set out in the 2009 Belgian Code of Corporate Governance published on the website www.corporategovernancecommittee.be. It has published its Corporate Governance Charter on its website (www.dieteren.com) since 1 January 2006. For the implementation of the principles of the Code, the Company took into consideration the particular structure of its share capital, with a majority family shareholder ensuring the stability of the Company since 1805. Exceptions to the Code are set out on page 90.

1. Composition and Functioning of The Board and Executive Management Bodies

1.1. BOARD OF DIRECTORS

1.1.1. Composition

The Board of Directors consists of:

- five non-executive Directors, appointed upon proposal of the family shareholders;
- four non-executive Directors, three of whom are independent, chosen on the basis of their experience;
- the managing director (Group CEO).

The Chairman and Deputy Chairman of the Board are selected among the Directors appointed upon proposal of the family shareholders. Two female directors sit on the Board. At least one of them is a member of each Committee of the Board. The appointment of two additional female directors will be proposed at the next Annual General Meeting.

1.1.2. Roles and activities

Without prejudice to its legal and statutory attributions and those of the General Meeting, the role of the Board of Directors is to:

- determine the Company's strategy and values;
- approve its plans and budgets;
- decide on major financial transactions, acquisitions and divestments;
- ensure that appropriate organization structures, processes and controls are in place to achieve the Company's objectives and properly manage its risks;
- appoint and revoke the CEO and, based on a proposal by the latter, the other members of the Executive Committee and determine their remuneration;
- monitor and review day-to-day management performance;
- supervise communications with the Company's shareholders and the other interested parties;
- approve the Company's statutory and consolidated financial statements, as well as set the dividend which will be proposed to the General Meeting. In that framework, the Board of Directors intends to maintain its ongoing policy of providing the largest possible self-financing, which has supported the Group's development, with a view to strengthen its equity capital and to maintain quality financial ratios. Absent major unforeseen events, the Board will ensure a stable and, results permitting, steadily growing dividend.

Composition of the Board of Directors (as at 31 December 2017)		Joined the Board in	End of term
Nicolas D'Ieteren (42)[1,2]	**Chairman of the Board** BSc Finance & Management (University of London); Asia Int'l Executive Program and Human Resources Management in Asia Program (INSEAD). Led projects at Bentley Germany and Porsche Austria. From 2003 to 2005, finance director of a division of Total UK. Since 2005, managing director of a private equity fund investing in young companies.	**2005**	**June 2019**
Olivier Périer (46)[1,2]	**Deputy Chairman of the Board and Chairman of the Strategic Committee** Degree in architecture and urban planning (ULB). Executive Program for the Automotive Industry (Solvay Business School). International Executive, Business Strategy Asia Pacific and International Director Programs; Certificate in Global Management (INSEAD). Founding partner of architectural firm Urban Platform. Managing director of SPDG, a private holding company, since 2010. Chairman, member of the advisory board or of the supervisory board of various venture capital companies.	**2005**	**June 2019**
Axel Miller (52)	**Chief Executive Officer** Law degree (ULB). Partner at Stibbe Simont, then at Clifford Chance (1996-2001). After holding several executive positions within the Dexia Group, became Chairman of the Executive Committee of Dexia Bank Belgium (2002-2006) and CEO of Dexia s.a. (2006-2008). Managing Partner at Petercam from 2009 to March 2012. Chairman of the Boards of Directors of Belron and Moleskine. Directorships: Carmeuse (Chairman), Spadel, Duvel Moortgat.	**2010**	**May 2018**
GEMA sprl[1]	**Non-executive Director – Permanent representative: Michel Allé (67)** Civil engineer and economist (ULB). Joined Cobepa in 1987, member of its Executive Committee (1995-2000). CFO of Brussels Airport (2001-2005). CFO of SNCB Holding (2005-2013). CFO of SNCB (2013-2015). Director of Elia and Chairman of the Board of DIM3. Professor at ULB.	**2014**	**May 2018**
s.a. de Participation et de Gestion (SPDG)[1]	**Non-executive Director – Permanent representative: Denis Pettiaux (49)** Civil engineer in physics and Executive Masters in Management (ULB). Member of SPDG Executive Committee, in charge of finance and a non-executive Member of various Boards of Directors, advisory boards and investment committees. Joined Coopers & Lybrand in 1997. Until 2008, Director of PricewaterhouseCoopers Advisory in Belgium. Until 2011, Director of PricewaterhouseCoopers Corporate Finance in Paris.	**2001**	**May 2018**
Nayarit Participations s.c.a.[1]	**Non-executive Director – Permanent representative: Frédéric de Vuyst (44)** Bachelor of Law (Université de Namur), BA Business & BSc Finance (London Metropolitan, School of Business). Managing Director Corporate & Investment Banking at BNP Paribas Belgium until 2008. Integration Committee Investment Banking and Management Board Corporate & Public Bank at BNP Paribas Fortis until 2012. Since then, Managing Director of a private equity company.	**2001**	**May 2018**
Pierre-Olivier Beckers sprl	**Independent Director – Permanent representative: Pierre-Olivier Beckers (57)** Master in Management Sciences (LSM), Louvain-la-Neuve. MBA Harvard Business School. Career at Delhaize Group (1983-2013). Chairman of the Executive Committee and managing director of Delhaize Group (1999-2013). Chairman of the Belgian Olympic and Interfederal Committee since 2004. Member of the International Olympic Committee (IOC) and Chairman of its Audit Committee. Chairman of the Coordinating Committee for the 2024 Paris Olympics. Advisor to and investor in various recently-formed companies.	**2014**	**May 2018**
Christine Blondel (59)	**Independent Director** Ecole Polytechnique (France), MBA (INSEAD). Management Consultant (1981 to 1984), Procter & Gamble (1984 to 1993), first female Director at the Wendel International Centre for Family Enterprise at INSEAD (until 2007), where she is still an Adjunct professor. Founder of Family Governance, advising family businesses. Director of INSEAD Foundation.	**2009**	**June 2021**
Pascal Minne (67)	**Non-executive Director** Law degree (ULB), Masters in Economics (Oxford). Former partner and Chairman of PwC Belgium (until 2001). Former Director of the Petercam Group (until 2015). Chairman Wealth Structuring Committee Banque Degroof Petercam. Various Directorships. Emeritus Professor at ULB.	**2001**	**May 2018**
Michèle Sioen (52)	**Independent Director** Degree in economics. CEO of Sioen Industries, a company specialised in technical textiles. Honorary Chairman of the FEB. Various Directorships, notably Sofina, Fedustria and Guberna.	**2011**	**June 2019**

(1) Director appointed upon proposal of family shareholders.

(2) Roland D'Ieteren, who reached the 75-year age limit in January 2017, announced his decision to retire as Director and Chairman of the Board at the Annual General Meeting of 1 June 2017. He was succeeded as Chairman of the Board by Nicolas D'Ieteren, with effect from the same date.

The Board of Directors meets at least six times a year. Additional meetings are held if necessary. The Board of Directors' decisions are taken by a majority of the votes, the Chairman having a casting vote in case of a tie. In 2017, the Board met 9 times. All of the Directors attended all of the meetings, except for Mrs Michèle Sioen, who was excused for 5 meetings, Mr Pascal Minne, who was excused for two meetings and Mme Christine Blondel and M. Pierre-Olivier Beckers, each excused for one meeting.

1.1.3. Tenures of Directors

Having reached the age limit of 75, Mr Roland D'Ieteren retired as a Director and Chairman of the Board at General Meeting on 1 June 2017. He was succeeded as Chairman of the Board by Nicolas D'Ieteren, with effect from the same date. The tenure of Mrs Christine Blondel was renewed at the same General Meeting for a period of 4 years.

1.1.4. Committees of the Board of Directors

Composition (at 31/12/2017)	Audit Committee[1]	Nomination Committee	Remuneration Committee[1]
Chairman	Pascal Minne	Chair to be appointed	Chair to be appointed
Members	Christine Blondel[2]	Christine Blondel[2]	Pierre-Olivier Beckers[3]
	Frédéric de Vuyst[4]	Nicolas D'Ieteren	Christine Blondel[2]
	Denis Pettiaux[5]	Pascal Minne	
		Olivier Périer	

(1) Given their respective education and management experience in industrial and financial companies, the members of the Audit Committee, on the one hand, and of the Remuneration Committee, on the other, have the expertise in accounting and audit required by law for the former, and in remuneration policy for the latter.
(2) Independent Director.
(3) Permanent representative of Pierre-Olivier Beckers sprl. Independent Director.
(4) Permanent representative of Nayarit Participations s.c.a.
(5) Permanent representative of SPDG s.a.

The Audit Committee met 4 times in 2017. These meetings were held in the presence of the Auditor. All of its members attended all of the meetings. The Nomination Committee met twice in 2017. All of its members attended all of the meetings. The Remuneration Committee met twice in 2017. All of its members attended all of the meetings. Each Committee has reported on its activities to the Board.

Functioning of the Committees

Audit Committee

On 31 December 2017, the Audit Committee comprised of four non-executive Directors, with at least one independent Director. The Audit Committee's terms of reference primarily include the monitoring of the Company's financial statements and the supervision of the risk management and internal controls systems. The Committee reviews the auditor's reports on the half-year and annual financial statements of the subsidiaries which are consolidated into the Company's accounts. The Audit Committee meets at least four times a year, including at least once every six months in the presence of the Auditor, and reports on its activities to the Board of Directors. At least one specific meeting is dedicated to the supervision of the risk management and internal controls systems. The Auditor KPMG, appointed by the Ordinary General Meeting of 1 June 2017, has outlined the methodology for auditing the statutory and consolidated statements as well as the applicable materiality and reporting thresholds. The Committee's charter adopted by the Board is set out in Appendix I of the Charter published on the Company's website.

Nomination Committee

On 31 December 2017, the Nomination Committee comprised of four non-executive Directors, with at least one independent Director. The Committee makes proposals to the Board concerning appointments of non-executive Directors, the CEO, and based on a proposal by the latter, the other members of the Executive Committee, and ensures that the Company has official, rigorous and transparent procedures to support these decisions. The Committee meets at least twice a year and reports on its work to the Board of Directors. The Committee's Charter, adopted by the Board, is set out in Appendix II a of the Company Governance Charter available on the Company's website.

Remuneration Committee

On 31 December 2017, the Remuneration Committee comprised of two independent non-executive Directors. The Committee makes proposals to the Board regarding the remuneration of the non-executive Directors, the CEO, and, based on a proposal by the latter, the other members of the Executive Committee, and ensures that the Company has official, rigorous and transparent procedures to support these decisions. The Committee also prepares the remuneration report and comments it during the Annual General Meeting. The Committee meets at least twice a year and reports on its work to the Board of Directors. The Committee's Charter adopted by the Board is set out in Appendix II b of the Corporate Governance Charter available on the Company's website.

On 28 February 2018, the Board of Directors decided to merge the Nomination Committee with the Remuneration Committee. The new Committee will contain five Directors: the Chairman of the Board, who will chair the meetings, the Deputy Chairman of the Board and three Independent Directors.

Strategic Committee

The Strategic Committee meets once a month and brings together the representatives of the family shareholders, the CEO and the other members of the Executive Committee in order, amongst other, to discuss the company's activities, to examine the progress of strategic and investment projects and to prepare Board meetings.

Policy for transactions and other contractual relationships not covered by the legal provisions on conflicts of interest

Directors and managers are not authorised to provide paid services or to purchase or sell goods, directly or indirectly, to or from the Company or its Group companies within the framework of transactions not covered by their mandates or duties, without the specific consent of the Board of Directors, except for transactions realised in the normal course of business of the Company. They are to consult the Chairman or CEO, who shall decide whether an application for derogation can be submitted to the Board of Directors; if so, they will notify the details of the transaction to the Company secretary, who will ensure that the applicable rules are complied with. Such transactions shall only be authorised if carried out at market conditions.

Evaluation of the Board and its Committees

The Board and its Committees assess on a regular basis, and at least once every three years, their size, composition, procedures, performance and their relationships with the management, as well as the individual contribution of each Director to overall functioning, in order to constantly improve the effectiveness of their actions and the contribution of said actions to the Group's proper governance.

The Board received the conclusions of the last triennial self-assessment of the Board and its Committees in August 2015. This self-assessment was carried out using a detailed written questionnaire sent to each Director and covering various aforementioned assessment criteria, the responses of which were gathered by a work group made out of three Directors who are members of the Nomination Committee. These Directors presented a summary of the answers to the questionnaire to the Board of Directors, and they made concrete recommendations.

1.2. GROUP EXECUTIVE MANAGEMENT

The CEO is responsible for the day-to-day management of the Company and is assisted by an Executive Committee. On 31 December 2017, the Group Executive Committee was comprised of the Group CEO (Chairman of the Group Executive Committee), the Group CFO and the member responsible for business support and development to the Group's existing and new activities.

Composition of the Executive Committee (at 31 December 2017)		Start of term
Axel Miller (52)	Chairman of the Executive Committee – Chief Executive Officer (see profile above)	2013
Arnaud Laviolette (56)	Member of the Executive Committee – Chief Financial Officer Master's in Economics (UCL). Almost 25 years in banking, Head of Corporate Finance, Corporate Clients and member of the Board of Directors at ING Belgium (until 2013). Director for investments at GBL from 2013 to June 2015. Director at Belron and Moleskine. Non-Executive Director at Rossel.	2015
Francis Deprez (52)	Member of the Executive Committee Master's in Applied Economics (UFSIA Anvers) and Master's in Business Administration (Harvard Business School). Associate (1991-1998) and Partner (1998-2006) at McKinsey & Company Belgium. At the Deutsche Telekom Group, Managing Director of the Center for Strategic Projects (2006-2011), Chief Strategy and Policy Officer at Deutsche Telekom AG (2007-2011), member of the Supervisory Boards at T-Mobile International (2007-2009) and T-Systems International (2008-2011), Chief Executive Officer at Detecon International Gmbh (2011-2016). Director at Belron and Moleskine.	2016

Together the members of the Group Executive Committee act collegially and are responsible, at Group level for, amongst other, the monitoring and development of the Group's businesses, strategy, human resources, finance, financial communication, investor relations, account consolidation, management information systems, treasury, M&A, legal and tax functions.

1.3. EXECUTIVE MANAGEMENT OF THE THREE BUSINESSES

D'Ieteren Group owns three businesses which each have their own executive management structure: the automobile vehicle distribution in Belgium (D'Ieteren Auto), Belron and Moleskine.

D'Ieteren Auto, which is an operational department of D'Ieteren SA/NV without separate legal status – is managed by the CEO of D'Ieteren Auto, reporting to the Group CEO. The CEO of D'Ieteren Auto chairs a management committee comprising six other members responsible for Finance and Operations, IT, Research, Marketing & Training, Brands & Network Management, New Mobility as well as Human Resources.

Belron, of which D'Ieteren owned 54.85% on 7 February 2018, is governed by a Board of Directors consisting of 6 members: the 3 members of the Group Executive Committee, 2 members appointed by CD&R (minority 40% shareholder in Belron) and the CEO of Belron. The Board of Belron is chaired by the Group CEO.

Moleskine, a fully-owned subsidiary of D'Ieteren, is governed by a Board of Directors consisting of 6 members: the three members of the Group Executive Committee, the former CEO of Moleskine (who presides over the meetings) and the current CEO and CFO of Moleskine.

1.4. EXTERNAL AUDIT

The external audit is conducted by KPMG Bedrijfsrevisoren – Réviseurs d'Entreprises, represented by Alexis Palm, whose term to audit the statutory and consolidated accounts for 2017, 2018 and 2019 was renewed at the General Meeting of 1 June 2017.

The total fees charged by the Statutory Auditor and linked companies for the work carried out in 2017 on behalf of D'Ieteren SA/NV and linked companies amounted to EUR 4.3 million, excluding VAT. Details of the fees are included in note 32 of the 2017 Consolidated Financial Statements (page 68).

DEROGATIONS TO THE 2009 BELGIAN CORPORATE GOVERNANCE CODE

The Company derogates from the Code on the following principles:

DEROGATION TO PRINCIPLE 2.2.

The group of Directors appointed upon proposal of the family shareholders is in a position to dominate decisions taken by the Board of Directors. In companies where family shareholders hold a majority of the share capital, the family shareholders do not have, as do other shareholders, the opportunity to sell their shares if they do not agree with the orientations defined by the Board. Their joint or majority representation on the Board enables them to influence these orientations, thereby ensuring the shareholding stability necessary to the profitable and sustainable growth of the Company. The potential risks for corporate governance resulting from the existence of a high degree of control by the majority shareholder on the activities of the Board can be mitigated, on the one hand, by the appropriate use of this power by the Directors concerned in respect of the legitimate interests of the Company and of its minority shareholders and, on the other hand, by the long-term presence of several non-executive Directors not representative of the family shareholding, which ensures genuine dialogue on the Board.

DEROGATION TO PRINCIPLES 5.2./4 AND 5.3./1

The composition of the Audit Committee and of the Nomination Committee, each of which includes at least one independent Director, derogates from the Belgian Corporate Governance Code, which recommends the presence of a majority of independent Directors. This is because the Board believes that an in-depth knowledge of the Company is at least as important as independent status.

2. Diversity policy

The Company aims to have a diverse Board of Directors and Executive Committee. This is achieved when including amongst its members differences in background, age, gender, independence, experience and professional skills. The Company believes that teams consisting of individuals with different experiences and backgrounds will lead to diversity of thought, which is to key to well-performing governance bodies. Such diversity will provide a range of perspectives, insights and challenges necessary to support good decision making. Enhancing diversity at the board and management level also increases the pool of potential candidates, and helps to attract and retain talent.

The Nomination Committee reviews and assesses the composition of the Board of Directors and the Executive Committee, and recommends to the Board the appointment of new directors or Executive Committee members, as well as the renewal of any existing mandates. When carrying out these reviews and recommendations, the Nomination Committee will consider the candidates on merit, having due regard to the benefits of diversity (including criteria such as background, age, gender, independence (for board members), professional skills, length of service and differences both in professional and personal experiences).

On gender diversity, the Board of Directors has a specific objective, in accordance with legal requirements, to include a minimum of one third of the underrepresented gender on the Board[1]. This target is to be achieved by the 1rst of January 2019. The Board is currently composed of 10 members, including two female board members. The Board has decided to submit to the Annual General Meeting of Shareholders of 31 May 2018 a proposal to appoint two new female board members. These appointments will allow the gender diversity objective to be reached in 2018.

Reference is made to section 1 of the Corporate Governance Statement regarding other diversity criteria (age, length of service, educational and professional experience) in relation to the members of the Board of directors and the Executive Committee as of 31 December 2017.

1) The required minimum number will be rounded off to the nearest whole number.

3. Remuneration Report

3.1. DETERMINATION OF REMUNERATION POLICY FOR MANAGERS AND OF INDIVIDUAL AMOUNTS

The policy and the individual remuneration of the Company's non-executive Directors and executive management of the company are determined by the Group's Board of Directors based on the recommendations of the Remuneration Committee. The remuneration of non-executive Directors and the executive managers of Belron and Moleskine is determined by the respective Boards of each company.

D'Ieteren's Remuneration Committee, which relies on the proposals of the CEO when it concerns the other members of the Executive Committee, reviews the following elements at the end of each year and submits the following to the Board for approval:

- the remuneration of the non-executive Directors for the following year;
- the variable remuneration of the members of the Executive Committee for the past year, taking into account any annual or multi-annual criteria related to the performance of the Company and/or that of the beneficiaries;
- any changes to the fixed remuneration of the members of the Executive Committee and their targeted variable remuneration for the following year, and associated performance criteria.

The Board intends to maintain this procedure for the next two years.

3.2. REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Company implements a remuneration policy designed to attract and retain on the Board non-executive Directors with a wide variety of expertise in the various areas necessary for the profitable growth of the Company's activities. These Directors receive an identical fixed annual remuneration, independent of their presence at Board meetings. Some Directors are entitled to a fixed remuneration for rendering specific services such as Chairman or Deputy Chairman of the Board, for participating in one or more Board committees and, in some cases, for the provision of company cars. The total amount of these remunerations is shown in the following table. The non-executive Directors do not receive any remuneration related to the Company's performance. The CEO does not receive any specific remuneration for his participation on the Board of Directors.

For the year ended 31 December 2017, a total of EUR 1,310,320 was paid to the non-executive Directors by the Company, broken down as follows. No other benefit or remuneration, loan or guarantee was granted to them by D'Ieteren or its subsidiaries.

2017 (in EUR)	**Base remuneration**	**Specialised Committees**	**Total remuneration**
D'Ieteren R.	181,987		181,987
D'Ieteren N.	218,750		218,750
Périer O.	189,583		189,583
P.-O. Beckers sprl	70,000	20,000	90,000
Blondel C.	70,000	70,000	140,000
Gema sprl	70,000		70,000
Minne P.	70,000	80,000	150,000
Nayarit sca	70,000	30,000	100,000
Sioen M.	70,000		70,000
SPDG	70,000	30,000	100,000
Total	**1,075,417**	**230,000**	**1,310,320**

3.3. REMUNERATION OF THE EXECUTIVE MANAGERS

General principles

At 31 December 2017, the executive management team, defined as the Members of the Executive Committee, was comprised of Axel Miller (President of the Executive Committee), Arnaud Laviolette and Francis Deprez. The Group has its own remuneration policy for attracting and retaining managers with the appropriate background and motivating them by means of appropriate incentives. This policy is based on external fairness criteria, measured in terms of comparable positions outside the Group, and on internal fairness criteria between colleagues within the Company.

The policy aims to position total individual remuneration of the Members of the Executive Committee around the median remuneration for positions of similar responsibility in comparable Belgian or foreign companies, as benchmarked by independent experts. The most recent benchmarking dates from January 2016.

Description of the various components

Axel Miller's managing director's contract comprises the following remuneration components:

- an 'all-in' annual fixed base remuneration of EUR 750,000, which includes benefits of all kinds related to the provision of company cars, a mobile phone and a remuneration for the exercise of Directorships in Group subsidiaries;
- a variable remuneration comprising:
  - an annual variable remuneration, with a target set at approximately 50% of the fixed remuneration;
  - and a long-term incentive plan in the form of share options.

The Company also covers the contributions to disability, life insurance and pension schemes for the benefit of the managing director for an annual amount of EUR 115,000.

The remuneration of the other members of the Executive Committee comprises:

- a fixed annual all-in base remuneration, consisting of benefits of all kinds related to the provision of company cars and mobile phones, and the remuneration for the exercise of directorships of the subsidiaries of the Group. The Company also covers the contributions to disability, life insurance and pension schemes for the benefit of each member of the Executive Committee.
- a variable remuneration comprising:
  - an annual variable remuneration, with a target at about 60% of the fixed short-term remuneration;
  - a long-term incentive plan in the form of share options.

As regards the phasing of the payment of the components of this variable remuneration over time, the Company complies with the legal requirements in terms of relative proportions relating to:

- the targeted annual variable remuneration, which shall not exceed 50% of the total variable remuneration and which, adjusted according to whether performance criteria have been met, is paid at the beginning of the year following that in which the services were provided;
- the long-term variable remuneration in the form of share options, which can be exercised at the earliest from the fourth year following the year in which they were allocated.

The allocation of the variable remuneration depends on the compliance with collective quantitative performance criteria (consolidated result compared with the budget, which includes all the objectives and missions approved by the Board of Directors with a view to creating long-term value) and qualitative individual (related to the job description) and collective (related to the development and execution of the Group's strategy, to the development of its human and financial resources, and to the conduct of specific key projects) criteria.

The annual bonus breaks down as 50% for achieving the annual quantitative objectives, and 50% for achieving the qualitative objectives. It can vary from 0% to 150% of the target in EUR, according to the result of the annual performance appraisal.

The performance of the interested parties is assessed at the start of the year following that for which the remuneration in question is being allocated, by the CEO for the Members of the Executive Committee, and by the Board for the CEO, on the recommendation of the Remuneration Committee and in accordance with the agreed performance criteria.

The **long-term incentive plan** for the Members of the Executive Committee consists of D'Ieteren stock options, the number to be decided by the Board of Directors after a proposal by the Remuneration Committee and fixed with regard to the long-term median of remunerations for positions of similar responsibilities in comparable Belgian or foreign companies, as benchmarked by independent experts. The most recent benchmarking dates from January 2016.

The features of the D'Ieteren share option schemes are those approved by the Ordinary General Meeting of 26 May 2005. These options give the right to acquire existing shares of the Company at an exercise price that corresponds, for each plan, either to the average price over the 30 calendar days preceding the offer date, or to the closing price on the working day preceding the offer date, as decided by the Chairman of the Board of Directors on the working day preceding the launch of the plan.

These options may be exercised from 1 January of the 4th year following the date they were granted and up until the end of the tenth year following their granting, with the exception of approximately 6-week periods preceding the release of the full-year and half-year financial results. The actual exercise of the options depends on the evolution of the share price, which may allow them to be exercised after the 3-year vesting period. Additional details on the share option plans are provided in Note 7 of the consolidated financial statements.

Remuneration allocated to the Executive Committee for 2017

The following table summarises the various categories of remuneration of the Executive Committee allocated for 2017. In 2017, in addition to the remuneration decisions described above, the Board of Directors decided to award the members of the Executive Committee, on a discretionary basis, an exceptional, non-recurring bonus in recognition of the successful completion in 2017 of two projects that were of strategic importance to the Group (i.e. the refinancing of Belron followed by the payment of a dividend to the company, and the sale of a minority stake in Belron to a new partner).

2017 (EUR)	CEO[1]	Other members of the Executive Committee[1]	Total
Fixed remuneration	750,000	1,019,000	1,769,000
Short-term variable remuneration[2]	350,000	639,000	989,000
Contribution to disability, pension and life insurance	115,000	241,000	356,000
Exceptional payment linked to strategic projects	1,400,000	2,200,000	3,600,000

1) With an independent contract
2) For a breakdown of the variable remuneration, see previous page “Description of the various components”

Moreover, 120,000 share options were granted to the Members of the Executive Committee for the fiscal year 2017, at a strike price of EUR 41.8 per D’Ieteren share, allocated as follows:

2017	Granted options	Exercised options	Expired options
Axel Miller (CEO)	50,000	-	-
Arnaud Laviolette (CFO)	40,000	-	-
Francis Deprez	30,000	-	-

Main contractual conditions concerning the departure of executive management and the right to claim reimbursement for all or part of the variable remuneration

Barring cases of unprofessional conduct, incapacity or gross negligence, the contracts of Executive Committee Members allow for 12 months of severance pay.

The contracts of executive managers do not contain claw-back clauses that are applicable if the variable remuneration has been allocated on the basis of false information.

4. Internal controls and risk management systems

The Board of Directors performs its control duties by (i) ensuring that D'Ieteren's entities correctly perform their own control duties and that committees entrusted with special survey and control tasks (such as the Audit Committee and Remuneration Committee) are put in place and function properly and (ii) ensuring that reporting procedures are implemented to allow the Board to follow up the entities' businesses at regular intervals, notably regarding the risks they face.

The Board of Directors is assisted by the Audit Committee in the exercise of its control responsibilities for the Company's entities, in particular with respect to the financial information distributed to shareholders and to third parties and the monitoring of the different risk management and internal control mechanisms.

Against this background, the effectiveness of D'Ieteren's system of controls, including operational and compliance controls, risk management and the Company's internal control arrangements, has been maintained. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Reviews have included an assessment of both financial and operational internal controls by the internal audit of each entity and reports from the external auditor on matters identified in the course of its statutory audit work.

4.1. INTERNAL CONTROL ENVIRONMENT

4.1.1. The system of internal control includes but is not limited to:

- clear definition of the organizational structure and the appropriate delegation of authorities to management;
- maintenance of appropriate separation of duties together with other procedural controls;
- strategic planning and the related annual budgeting and regular review process;
- monthly reporting and review of financial results and key performance statistics;
- adoption of accounting procedures to help ensure the consistency, integrity and accuracy of the company's financial records;
- specific treasury policies and the regular reporting and review of all significant treasury transactions and financing activities;
- procedures for the authorisation of capital expenditure;
- internal audit reviews;
- implementation of action plans and audit recommendations on an annual basis;
- policies and business standards;
- country visits and discussions with local management;
- quarterly reporting to D'Ieteren's Audit Committee.

4.1.2. The effectiveness of the system of internal control is assured by the following:

- independence of the head of internal audit is ensured by direct reporting to the Audit Committee;
- strengthening of the Corporate team;
- review of internal and external audit plans (including IT audit missions and fraud risks);
- review of any significant reported unsatisfactory control matters;
- review of any control issues that arise from internal and external audits together with any additional matters brought to the attention of the Audit Committee;
- mapping of any significant risks identified by the company's risk management process;
- annual and multi-annual audit plans that are submitted and reviewed annually by the Audit Committee;
- discussions with management on any significant new risk areas identified by management and the internal and external audit processes;
- prioritization of the control missions based on the risk profile.

D'Ieteren's Audit Committee receives regular reports on the work carried out by the Audit Committee of each activity before itself reporting to the Board.

4.2. ASSESSMENT OF BUSINESS RISK

4.2.1. D'Ieteren ensures that business risks, whether strategic, operational, reputational, financial, legal or environmental, are both understood and visible as far as practicable. D'Ieteren's policy is to ensure that risk is taken on an informed rather than an unintentional basis.

4.2.2. Each entity conducts an annual risk review and updates its risk register with each risk's impact and mitigation measures. This approach forms the cornerstone of D'Ieteren's risk management activities, the aim of which is to ensure that the major risks the Company faces have been identified and assessed, and that there are controls either in place or planned to manage these risks.

The main risks the company faces are summarised hereafter.

4.3. INTERNAL AUDIT

4.3.1. Each entity has its own internal audit function, which is independent of its external auditors and which may work in partnership with an outsourced provider, where specialist skills are required. A periodic review ensures that these functions are appropriately staffed, that their scope of work is adequate in the light of the key identified risks the entity faces and that the annual internal audit plan is properly approved.

4.3.2. The Audit Committee of each entity ratifies the appointment and dismissal of its internal audit manager and assesses her/his independence and objectivity and helps ensure that she/he has unfettered access to management and to the Audit Committee.

4.3.3. The role of internal audit of each entity is to:

- assess the design and effectiveness of control systems governing key operational processes and risks;
- provide an assessment, independent of management, of the adequacy of the entity's internal operating and financial controls, systems and practices;
- provide advisory services to management in order to enhance the control environment and improve business performance;
- provide a mapping of any significant risks identified by the company's risk management process.

4.4. KEY RISKS

4.4.1. Business risks

4.4.1.1. Industry risk

The automobile distribution business may be impacted by several factors relating to the car industry and the volume of cars sold on the Belgian market. Overall demand and mix may be affected by factors including general economic conditions, changes in the fiscal regime, the rising success of car sharing and the availability of credit to potential buyers. Specific demand for the distributed brands (VW, Audi, SEAT, Škoda, Porsche, Lamborghini, Bugatti, Bentley and Yamaha) depends on the success of the models developed by their automotive suppliers (the VW Group and Yamaha) and their adequate pricing on the Belgian market. Demand for less polluting vehicles drives changes in the composition of the overall vehicle fleet, with an increasing number of vehicles equipped with petrol engines or new engines (hybrid, plug-in hybrid, electric, natural gas, etc). The improved quality of cars in general and the rising share of electric vehicles drives down their maintenance frequency, which in turn has a negative impact on the sale of spare parts and revenues from after-sales activities. The rising share of electric vehicles will exacerbate this negative trend. Note that the rising penetration of electric vehicles will create new opportunities for D'Ieteren (e.g. offering of integrated systems, including solar panels and home batteries). Market volumes are set to decline in the bodywork sector as new technologies result in a lower accident rate. The price per bodywork job is however set to rise due to increasing technological complexity (e.g. advanced driver assistance system (ADAS) sensors and cameras). Volatility of used car prices and a shift in demand for specific engines (e.g. shift from diesel to petrol) may affect residual values of leasing cars.

In the vehicle glass repair and replacement business, several unfavourable factors tend to reduce the frequency of glass breakage. These include: mild weather conditions, a reduction in the number of miles driven, improved road conditions, a reduction of average speed on roads as a result of speed limit enforcements and new technologies such as adaptive cruise control. Changes in insurance policies regarding glass breakage, such as an increase of deductibles, may reduce demand or increase price pressure. There have been no changes in the competitive environment recently, with Saint Gobain continuing to build its franchise network in Europe and national competitors remaining aggressive on price. In some countries there is an external price-setting mechanism or benchmark (e.g. NAGS in US, Audatex in Germany) on which Belron is dependent.

Moleskine faces diverse and fragmented competition from other players in the stationary sector and there are numerous competing products that are similar to Moleskine's notebooks. Economic downturns could have a negative impact on demand for discretionary consumer goods. Increasing digital penetration could also negatively impact demand for Moleskine's analogue products. The wholesale channel of Moleskine deals with "bricks and mortar" retailers who are under pressure from online retailers and changing consumer behaviour. Moleskine tries to mitigate this risk by helping the "bricks and mortar" retailers to improve the in-store experience. The risk is also tempered by Moleskine's multi-channel (including e-commerce) approach. Moreover, new product categories are being developed including the digital products and smart writing sets (with Moleskine+) and travel accessory (with bags). Moleskine has also strengthened its local presence by going direct in 12 countries, including the US and Germany.

Developments are actively monitored by each entity and fed in to a planning process including strategic planning, long-term financial planning, budgets and monthly reporting. This process allows early anticipation of these trends or swift reactions to sudden events and provides management with a base for making decisions regarding the range of products and services offered, their pricing and the optimum size of the organisation.

Where business is by essence subject to rapid changes in demand, structures have been adapted to provide the maximum flexibility. D'Ieteren Auto's Market Area project is a good illustration of this, as are the restructuring measures in the UK, Netherlands and Italy for Belron.

4.4.1.2. Strategy execution risk

Project implementation entails the investments and financial and operational risks that can impact the results. Project management governance ensures the best transition possible and prevents any negative effect on the activities and results.

D'Ieteren Auto's three strategic projects (Market Area, Pole Position, Powered by You), which were launched in 2014, are reaching completion. This strategy, aimed at strengthening the Company's leadership and profitability, is based on three pillars. The first is the reorganization of the D'Ieteren Car Centers (the company's corporately-owned dealerships in the Brussels region), in order to improve their financial and commercial performance. The number of sites was reduced from 12 in 2003 to 5 at the end of 2017. The second pillar is the optimization of the independent dealer network by dividing the territory into 25 homogeneous market areas that are each fully-owned and run by a single investor, the Market Area Leader, in order to improve their competitive positioning and leverage synergies. The third, and last, pillar is the overhaul of D'Ieteren Auto's internal structure in order to align it with the Market Area structure and to improve customer-centricity. This includes, for example, the roll-out of a CRM (customer relationship management) system and digital marketing, which should enhance the customer experience. Mobility is set to change fundamentally in the long term, with a growing share of connected, shared and electric vehicles and the arrival of autonomous vehicles. This will not only entail risks, but also opportunities. D'Ieteren Auto aims to become the natural choice for mobility in Belgium, evolving from being the market leader in new car sales to the market leader in the number of kilometres travelled. To realize this ambition, D'Ieteren Auto will need to be able to offer new services such as online sales or an electric vehicles ecosystem. This will require investments and new partnerships. A recent example of these new initiatives is Lab Box, a fully-owned subsidiary of D'Ieteren Auto established in 2017 to develop innovative mobility services and which launched Poppy, a car sharing service, in January 2018 in Antwerp.

Belron increased its investment in marketing and technology by upgrading its IT systems and gradually integrating digital customer tools. In addition to the above, the business continues to implement its service extension strategy including vehicle bodywork and home assistance/ repair services. Such a potential diversification entails acquisition, financial and operational risks and deviates from vehicle glass repair and replacement, Belron's historic activity.

In its effort to maintain the growth of its activities at a high level, Moleskine relies on the strength of its brand to launch different initiatives, like the Moleskine Café and the bags product range. The Retail channel continued to be loss-making in 2017. Initiatives (e.g. improved logistics and service levels, introduction of the new store concept-Retail 2.0) are being implemented to make this channel profitable.

4.4.1.3. Brand reputation

The success of D'Ieteren's entities is closely connected with the brand image, so it is potentially exposed to certain events that may prejudice it. Any event that could have adverse effects on the brand image, whether internal (for example inability to adequately communicate the underlying values of the brands and their distinctive features) or external (for example, the dissemination by third parties of untrue or misleading information) could have a material adverse effect on the business, results and financial health. These reputational risks are mitigated through community engagement, sound ethical, environmental, labour and safety standards and respect for laws and regulations.

4.4.1.4. Trademark and intellectual property protection

D'Ieteren's businesses aim to protect their trademarks and intellectual property. The value of the D'Ieteren businesses could be compromised however if the protection of the brand or of any other intellectual property rights associated with the products and services becomes impracticable or particularly difficult or onerous.

4.4.1.5. Business seasonality

D'Ieteren's activities may be subject to seasonal fluctuations. For example, Moleskine's sales through the B2B, e-Commerce and Retail channels peak in the fourth quarter of each financial year. Belron's sales benefit from frosty winters and D'Ieteren Auto's sales tend to be stronger during the first quarter of the year when the Brussels Car Show takes place.
As a result of these quarterly fluctuations, comparisons of revenues and results of operations between different quarters within a single financial year are not meaningful and such comparisons cannot be relied upon as an indication of future revenues or results of operations of a full year.

4.4.1.6. Sourcing risk

D'Ieteren Auto imports and distributes new cars and spare parts of the brands and models of the Volkswagen Group. The relationship with Volkswagen has been built over 70 years and is formalized in wholesale agreements with each of the brands with no specified end dates. Any adverse changes to the terms of the agreements, any deterioration in the relationship with the Volkswagen Group or any significant change in policy towards independent importers is likely to have an adverse effect on the financial condition and the results of the entity. The key defence against this risk resides in the company's ability to demonstrate to the Volkswagen Group its added value through state-of-the-art logistics, the professionalization of the Belgian dealer network and in-depth knowledge of the Belgian market. The company is strictly aligned to the commercial, marketing and services policies of the Volkswagen Group.

The vehicle glass repair and replacement business is critically dependent on the supply of vehicle glass, polyurethane and repair resin. To ensure that the loss of a key supplier in any of these areas does not significantly disrupt its operations, purchasing teams have developed a strategy to diversify sourcing and actively allocate volumes.

Moleskine's production is entirely subcontracted to producers in China, Vietnam and Europe. If Moleskine replaces one or more of its principal suppliers of raw materials, semi-finished or finished products, it may have to bear higher supply costs and charges or delays in delivery times and it may experience greater difficulty in maintaining its quality standards and possibly in meeting contractual obligations or retaining its relationships with distributors and/or customers. To manage this risk the company avoids extreme concentration in terms of number of factories/suppliers.

Failure by suppliers to comply with standards of ethical conduct could tarnish D'Ieteren's reputation.

4.4.1.7. Input price risk

Profitability can be impacted by rising input prices. It is not always possible to fully pass on price hikes to customers or to offset higher input prices through hedging and efficiency measures.

4.4.1.8. Key account risk

A significant part of D'Ieteren Auto and Belron's activity concerns large key accounts such as businesses, leasing companies or insurers. Any loss of one or several major key account(s) could have an adverse effect on financial health and the results.

The implementation of D'Ieteren Auto's Market Area Strategy, whereby the Belgian market will be subdivided into 25 Market Areas that will each be led by a Market Area Leader will result in a sharp reduction in the number of counterparts and a significant increase in their size. The concentration risk is however mitigated by the fact that the network consolidation has led to the professionalization of the dealerships. Moreover, D'Ieteren Auto is providing the dealers with support and tools (e.g. digitization).

As Moleskine's business model is transitioning from a predominantly wholesale business to a direct-to-consumer model, risks related to customer concentration are diminishing.

Each entity of the D'Ieteren Group undertakes actions to ensure that its relationship with key accounts remains strong while focusing on customer satisfaction. Every major account has a dedicated manager who develops a key account plan with clear objectives on how to develop the relationship further. Each entity ensures that its customer portfolio remains sufficiently balanced.

4.4.1.9. Product/service failure risk and non-compliance with standards and regulations

Vehicles or spare parts distributed by D'Ieteren Auto may be subject to a major defect. In this case, the technical response to such a failure is organised by the Volkswagen Group. Such situations may however have a negative impact on D'Ieteren Auto's reputation as importer and distributor. In order to reduce this risk, D'Ieteren Auto has a transparent, proactive communication policy towards its customers and dealers, and organises any necessary recalls to ensure that vehicles are compliant with regulations. D'Ieteren Auto's response to "Emissiongate" showed that its crisis management procedures are effective. It acted in a fully transparent, open and honest manner while dealing with both customers and the authorities. Increasingly stringent emission regulations could affect D'Ieteren Auto's activities. This risk will be mitigated however by the Volkswagen Group's ambitious plans to develop electric cars.

The technological complexity of vehicle windscreens is on the rise as Advanced Driver Assistance Systems (ADAS) such as autonomous breaking, lane departure warnings, cross traffic alerts, park assist and surround view are more widely adopted. This trend should intensify with the development of autonomous vehicles. ADAS uses radar, sensors and cameras that are mounted on the windshield and need to be re-calibrated when the windscreen is replaced. A failure to do so could adversely impact the safety of the vehicle and as a result expose Belron (or insurers) to a legal, financial and/or reputational risk. In order to minimise this risk, Belron develops clear fitting and calibration standards, rolls them out throughout the organisation, and regularly monitors compliance through technical teams in every business unit. In addition, events such as the "Best of Belron", a worldwide competition to elect the Group's best fitter based on compliance with standards and quality of execution, reinforce the importance of the highest fitting standards. ADAS penetration is expected to rise to 40-60% of new vehicles in the next 5 years. Note that this offers opportunities for Belron given its technological leadership in the field of re-calibration.

Moleskine closely monitors the quality of the products that are manufactured by third parties. Its products are made of paper and/or other materials, the production of which may impact the environment. Moleskine is actively engaged in taking every action to comply with the highest environmental standards:

- All Moleskine notebooks are made with acid-free paper, making them environmentally friendly products;
- Moleskine creates and sells FSC-certified products;
- Moleskine designs its packaging to keep waste to a minimum.

In terms of respect for universal human rights, Moleskine, Belron and D'Ieteren Auto have a deep-seated commitment to meeting the highest standards of legal and ethical conduct in their commercial dealings and employee management.

4.4.1.10. Talent recruiting and retention

Recruiting and talent management are crucial as new competences are needed to ensure the Company is well positioned for the future.

Business continuity may be impaired by the loss of personnel responsible for key business processes. Personnel retention is managed through the offer of a competitive compensation package that is regularly benchmarked against market practices, good career prospects, regular feedback and employee satisfaction surveys. Succession planning related to key personnel is regularly reviewed by the top management of each entity.

D'Ieteren Auto recently launched the CaReer Model, which increases transparency in terms of expectations, skills and results, while offering career opportunities across the business.

The management incentive programs of the activities and D'Ieteren's Corporate team are aligned with shareholder value creation.

4.4.2. IT and financial risks

4.4.2.1. Catastrophic loss risk

D'Ieteren's entities are heavily dependent on key resources such as IT systems, call centres and distribution centres. A major disaster may result in the inability of the entity to provide essential products or services either locally or globally. Absent mitigating actions, operating costs resulting from the occurrence of a disaster could be significant.

Management regularly reviews the underlying potential causes of loss and implements protective measures. In addition, Business Continuity Plans are designed to ensure continuity of the entities should a disaster occur. More specifically for IT systems, duplication of key data and systems and penetration testing for web applications mitigate the impact of a potential major system failure. Residual risk may be covered by appropriate insurance policies.

4.4.2.2. Risks related to IT projects

There are risks related to new IT and digitization initiatives. For example, Belron is introducing a new ERP system in several countries, Moleskine has implemented a new SAP system and a new e-commerce website and both Moleskine and D'Ieteren Auto are developing new CRM and BI tools. Risks associated with these projects are mitigated thanks to clear governance and support from professional service providers.

4.4.2.3. Information protection and cyber security

Information protection and cyber risk includes theft of data, manipulation or destruction of information, and reputational damage. D'Ieteren's activities have been taking appropriate steps to protect data and be compliant with the new European General Data Protection Regulation (GDPR), which will be effective as of 25 May 2018.

4.4.2.4. Liquidity risk

The activities of D'Ieteren Group are financed independently (ring-fenced). Moreover, structural financial leverage is avoided at the level of D'Ieteren S.A.

Each entity of D'Ieteren Group:

- pursues its own financing strategy under the supervision of D'Ieteren's Corporate team;
- ensures that it has a core level of committed long-term funding in place with maturities spread over several years and diversified sources;
- maintains a regular dialogue with debt providers and keeps them updated on the general situation of the company.

D'Ieteren S.A.'s net cash position increased from EUR 71.7 million at the end of 2016 to EUR 549.5 million at the end of 2017. This level increased further following the sale of a 40% stake in Belron to CD&R on 7 February 2018. The Treasury Committee (composed of D'Ieteren Group's CFO, D'Ieteren Auto's CFO and the Head of Treasury) ensures that the guidelines of the Investment Policy are abided by. The goal is to protect the capital, assure liquidity and optimize returns. Risks are mitigated through counterparty and investment diversification (e.g. term deposits, commercial paper, money market funds) and by choosing counterparts with a high credit rating.

D'Ieteren Auto has a stake of 50% minus one share in Volkswagen D'Ieteren Finance s.a. (VDFin), a joint-venture with Volkswagen Financial Services, a subsidiary of the Volkswagen Group. VDFin is financed by Volkswagen Financial Services.

Belron issued 7-year Term Loans B for an amount of EUR 1.3 billion (of which USD 1.0 billion) in October 2017. It aligns the financial structure of Belron with the profile of its activities and future financial needs while extending the duration of Belron's debt profile. It also provides more flexibility compared to the US Private Placement which was reimbursed. For example, Belron has the possibility to start reimbursing early without penalty.

The acquisition of Moleskine was financed through available cash and draw-downs on existing credit facilities at the level of D'Ieteren S.A. and through a new credit facility at the level of DM Invest S.r.l., which merged with Moleskine S.p.A. in 2017.

4.4.2.5. Interest rate and currency risk

Borrowings issued at variable rates expose the Company to cash flow interest rate risk whereas borrowings issued at fixed rates expose the company to fair value interest rate risk. To manage these risks, D'Ieteren is financed through a combination of fixed and floating rate facilities, possibly combined with derivatives-based hedges (see note 17 of the Consolidated Financial Statements 2017 concerning the financial instruments that were used). The renegotiation of credit spreads and conditions when credit facilities come up for renewal might result in less favourable terms. Belron has hedges in place to fix the interest rates of its Terms Loans B at just below 4% for a period of 5 years.

Belron's international operations are exposed to foreign exchange rate risks. The majority of the sales are denominated in US dollars, euros and pounds. In each country where Belron has a subsidiary, revenue generated and costs incurred are primarily denominated in the relevant local currency, thereby providing a natural currency hedge. Whenever possible, the policy is to hedge the value of foreign currency denominated investment with an equivalent amount of debt in the same currency to protect its value in euros.

Moleskine's exposure to exchange rate fluctuations arises from its trading activities, which may be conducted in currencies other than the euro. Revenues and costs denominated in a foreign currency may be influenced by fluctuations in the exchange rate, resulting in an impact on margins (economic risk), just as trade and financial payables and receivables and liquidities denominated in a foreign currency may be affected by foreign exchange fluctuations, impacting the statement of comprehensive income (transaction risk). Finally, exchange rate fluctuations are also reflected in consolidated net profit and equity, given that the financial statements of several subsidiaries are prepared in a currency other than the euro and then translated (translation risk).

4.4.2.6. Impairment loss on investments

Due to the evolution of economic and trading environments, and the uncertainties affecting them, D'Ieteren faces the risk of a decrease in the value of its investments. This could lead to the recognition of non-cash write-downs on shares and impairment losses in the income statement. D'Ieteren mitigates this risk by regular business review meetings with the management of each business unit, periodic review of financial performance and key performance measures and regular active reviews of the long-term financial planning and budgeting process with local management.

4.4.3. Other risks

4.4.3.1. Compliance risk

In geographies where D'Ieteren's businesses have significant market shares and/or are governed by vertical agreements that fall within the scope of Block Exemption regulations, the key legislative risk relates to Competition Law. Any breach of Competition Law can result in significant fines. There have also recently been significant changes to Data Protection legislation, with substantial fines introduced for violations.

In order to mitigate these risks, clear policies and legal monitoring have been put in place and widely communicated. Their application is audited on a regular basis.

4.4.3.2. Integrity risk

D'Ieteren's reputation or assets may be affected if employees, customers, suppliers or agents commit unethical or fraudulent acts against D'Ieteren for personal gain, or if D'Ieteren is considered jointly responsible for such acts perpetrated by third parties.

The company has implemented a series of measures aimed at avoiding these risks to the maximum extent possible, including established policies and procedures, an ethics policy or code of conduct applicable to all staff, appropriate staff training, the delegation of authority with separation of duties, management information, internal audit and financial controls.

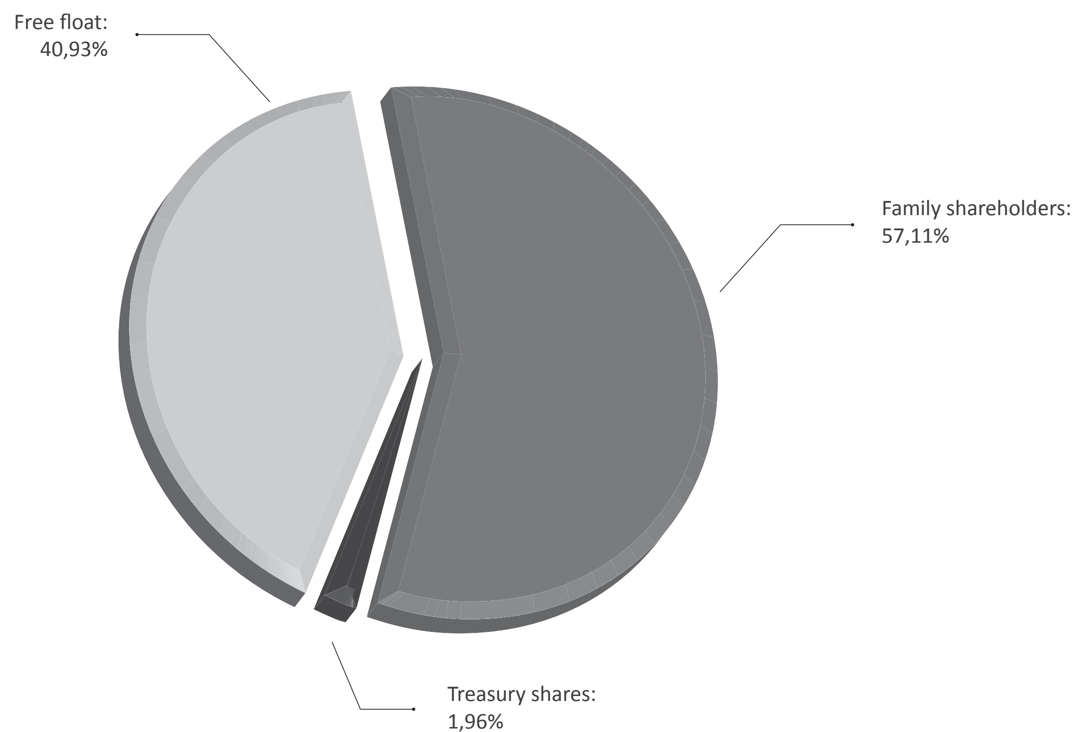
5. Capital Information

5.1. DENOMINATOR

At 31 December 2017	Number	Related voting rights
Ordinary shares	55,302,620	55,302,620
Participating shares	5,000,000	5,000,000
Total		**60,302,620**

5.2. SHAREHOLDING STRUCTURE

At 31 December 2017	In share capital	In voting rights
Family shareholders	**57.11%**	**60.66%**
of which Nayarit Group	31.99%	35.56%
of which SPDG Group	25.11%	25.10%
Treasury shares	**1.96%**	**1.80%**
Free float	**40.93%**	**37.54%**



5.3. DISCLOSURE OF SIGNIFICANT SHAREHOLDINGS (TRANSPARENCY LAW)

In compliance with Article 14 paragraph 4 of the law of 2 May 2007 on the disclosure of significant shareholdings, the shareholding structure such as it results from the latest notification received by the Company (on 10 January 2018) is presented in Note 20 (see page 52).

The Company is not aware of any subsequent notification modifying the information presented in this Note.

5.4. ELEMENTS THAT CAN HAVE AN INFLUENCE IN CASE OF A TAKEOVER BID ON THE SHARES OF THE COMPANY

In accordance with Article 74 § 7 of the Law of 1 April 2007 on takeover bids, the Company received on 20 February 2008 a notification from the Nayarit group (whose members are listed in Note 20 of the Consolidated Financial Statements, page 52), which mentions that, either separately or acting in concert with other people, on 30 September 2007, this group held more than 30% of the voting shares issued by the Company. This notification remains relevant at the date of this report.

The Extraordinary General Meeting of 5 June 2014 renewed the authorisation to the Board to:

- increase the share capital in one or several times by a maximum of EUR 60 million. The capital increases to be decided upon in the framework of the authorised capital can be made either in cash or in kind within the limits set up by the Company Code, or by incorporation of available as well as non-available reserves or a share premium account, with or without creation of new shares, either preference or other shares, with or without voting rights and with or without subscription rights. The Board of Directors may limit or waive, in the Company's best interest and in accordance with the conditions determined by the law, the preferential subscription right for the capital increases it decides, including in favour of one or more determined persons;
- decide, in the framework of the authorised capital, on the issuance of convertible bonds, subscription rights or financial instruments which may in term give right to Company shares, under the conditions set up by the Company Code, up to a maximum, such that the amount of the capital increases which could result from the exercise of the above mentioned rights and financial instruments does not exceed the limit of the remaining capital authorised as the case may be, without the preferential subscription right of bondholders.

Without prejudice to the authorisations given to the Board of Directors described in the preceding paragraphs, the Extraordinary General Meeting of 1 June 2017 also renewed the authorisation of the Board of Directors for a renewable 3-year period, to proceed - in the event of takeover bids on the Company's shares and provided the required notification has been made by the FSMA within a 3-year period as from the decision of the General Meeting - to capital increases by contribution in kind or in cash, as the case may be, without the preferential subscription right of shareholders;

The Extraordinary General Meeting of 5 June 2014 also approved the renewal of the 5-year authorization granted to the Board to purchase own shares under legal conditions, notably to cover stock option plans for managers of the Company.

In the event of a risk of serious and imminent harm occurring to the Company, the Board of Directors has the authority to transfer treasury shares either on the market or through a sale under the same conditions to all shareholders in compliance with the applicable legal conditions. This authorisation applies, under the same conditions, to the purchase or transfer of shares held in the Company by its subsidiaries as stated in articles 627, 628 and 631 of the Company Code.

The rules governing the appointment and replacement of Board members and the amendment of the articles of association of the Company are those provided for by the Company Code.

The change of control clauses included in the credit agreements concluded in 2015 with financial institutions were approved by the General Meeting of shareholders of 26 May 2016, in accordance with article 556 of the Company Code.

Disclosure of non-financial information

1. The D’Ieteren Group

D’Ieteren 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 specific industries or regions.

The group currently has three activities articulated around strong brands:

- D’Ieteren Auto (100% owned) imports and distributes the vehicles of Volkswagen, Audi, SEAT, Škoda, Bentley, Lamborghini, Bugatti and Porsche across Belgium, along with spare parts and accessories. In addition to Belgian vehicle distribution, D’Ieteren Auto provides after sales services through its Corporately-owned dealerships.
- Belron (54.85% owned) is the worldwide leader in vehicle glass repair and replacement.
- Moleskine (100% owned) is a premium and aspirational lifestyle brand that develops and sells iconic branded notebooks and writing, travel and reading accessories.

The D’Ieteren group pays continuous attention to the economic, environmental and social impact of its activities. It therefore encourages and supports the commitment of its different businesses to act responsibly and with integrity through open dialogue. As the parent company of the D’Ieteren Group, D’Ieteren SA itself has a relatively low environmental and social footprint. The largest impact occurs as a result of where D’Ieteren chooses to invest. Therefore, D’Ieteren SA has opted for separate reporting for each of its activities in terms of their environmental, social and personnel impacts, their respect for human rights and their stance on anti-corruption and bribery.

A number of the topics addressed below have been identified as key risks, which are listed in the Internal controls and risk management systems chapter (available on page 94 of this report).

GROUP MATERIALITY ANALYSIS

D’Ieteren has decided to carry out a “materiality analysis” in order to report on a range of environmental and social matters. This analysis aims to determine significant environmental and social impacts that D’Ieteren’s activities have on their stakeholders and the society at large. External sustainability experts supported D’Ieteren and its activities in this process and contributed to ensure a consistent and accurate materiality assessment. The analysis was conducted based on the principle of materiality as set out in the Global Reporting Initiative (GRI).

	Belron		D’Ieteren Auto		Moleskine	
Materiality level	**High**	**Moderate**	**High**	**Moderate**	**High**	**Moderate**
Environment	Climate Impact/ CO_2 emissions		Climate Impact/ CO_2 emissions	Waste management	Climate Impact/ CO_2 emissions & Deforestation	Waste management
	Waste management		Innovation/ Responsible mobility			
Social and personnel	Customer satisfaction	Sustainable procurement	Customer satisfaction	Sustainable procurement	Sustainable procu-rement (including controlling the impact of chemicals usage) produits chimiques)	Innovation
	Employee safety	Community engagement	Employee development	Community engagement	Employee development	
	Employee satisfaction		Employee safety		Employee satisfaction	
			Employee satisfaction			

2. The activities

2.1 BELRON

2.1.1 Description of the business

Belron is the worldwide leader in vehicle glass repair and replacement, operating under more than ten major brands, including Carglass®, Safelite® Autoglass and Autoglass®. It also manages vehicle glass and other insurance claims on behalf of insurance customers. Belron looks after around 15 million consumers each year in 34 countries on six continents, with a focus on providing a quality of service that will generate a very high level of customer satisfaction. Belron's business is built around a clear purpose: "making a difference by solving people's problems with real care."

Over the course of 2017, Belron rolled out a new service extension strategy, acquiring businesses that carry out Auto Damage Repair and Replacement (ADRR) and Home Damage Repair and Replacement (HDRR). Given that these acquisitions are very recent, the company is still working on how it will implement its Corporate Social Responsibility approach to these new subsidiaries. This should be in place by the end of 2018.

2.1.2 General approach to Corporate Social Responsibility (CSR)

Belron has an ethical code of conduct that it has christened 'Our Way of Working'. The code sets out the group's CSR commitments and the expectations of how its people can support it to be a sustainable, responsible and ethical business. The code follows the ten principles set out under the United Nations Global Compact, of which Belron is a signatory.

This code is shared with all business units in their local languages, and local management is responsible for ensuring that it is implemented effectively.

2.1.3 Assessing progress towards CSR aspirations

Belron uses the Ecovadis sustainability platform to carry out an external assessment of how each of its businesses is performing in terms of meeting its aspirations. The assessment measures the gap between the aspirations outlined in the principles of the UN Global Compact (UNGC) and the current progress of steps taken by each Belron business. It provides a benchmark against other organisations and a scorecard that identifies areas for improvement.

Each Belron business is evaluated on the policies in place, the actions taken to implement those policies, and the overall results of those actions. The evaluation assesses the activities relating to four themes: minimising impact on the environment, labour practices and human rights, customer relations and fair business practices, and sustainable procurement. Once the analysis is completed by Ecovadis, each Belron business receives a full scorecard and a rating between 1 and 100. If they score 37 or more they receive a recognition level of Bronze, Silver or Gold.

At the end of 2017, Belron had 10 businesses rated gold and 12 rated silver. Overall Belron has a score of 58, putting it in the top 20% of over 35,000 companies worldwide assessed by Ecovadis. Belron aims to have all of its 25 businesses gold-rated by 2020, which would put it in the top 10%.

2.1.4 Material environmental and social aspects

Climate Impact/CO_2 emissions

Belron recognises that the carbon emissions of its businesses have a direct impact on climate change, both locally and globally. It therefore works hard to understand, measure and manage these impacts. Belron monitors the emissions for which it is directly responsible, such as those related to the energy consumption of its branches and its fleet, and takes meaningful steps to steadily reduce the resulting carbon footprint. To achieve this, it has developed and shared a carbon footprint reporting tool across all 25 Belron businesses to help them manage and reduce their carbon footprints, along with a best-practice environmental policy blueprint.

The Group is looking into energy efficiency technologies for its fleet and buildings. This includes developing best practices to increase driver engagement in reducing fuel consumption, and to identify ways to enable the deployment of electric vehicles within its fleet to replace diesel vans in areas of high population density.

Furthermore, Belron will repair a windscreen rather than replace it whenever possible; a strategy that also reduces the environmental impact. Using the GHG Protocol, Belron has calculated that repairing a windscreen has a carbon intensity nearly five times lower than replacing it, saving up to 44kg CO_2 per job. Belron carried out 2.9 million repairs in 2017 (a repair rate of 25%), meaning that its 'Repair First' strategy saved 128,000 tons of CO_2.

The carbon footprint for the Belron Group was calculated as 311,527 tons of CO_2 in 2017, giving a carbon intensity of 16.9 kg of CO_2 per VGRR job.

Thanks to these initiatives, together with Belron's waste management initiatives, Belron has obtained a "Confirmed" Ecovadis score (see following paragraph).

Waste management

Belron's major waste product is the glass which it disposes of on behalf of its customers. It aims to recycle 100% of its glass waste and is considering innovative approaches and supplier partnerships to achieve this.

Belron is increasing recycling efficiency by eliminating local waste disposal logistics and creating specialist recycling centres. Where recycling resources in its operating countries do not exist or are inadequate, Belron has implemented alternative options such as utilising reverse logistics to collect and centralise the waste glass.

As such, Belron's European Distribution Centre in Belgium collects and recycles glass from six neighbouring countries (including the UK). In partnership with a Danish company, Belron also pioneered the recycling of windscreens in the United States by setting up a recycling centre on the East coast. In 2017, Belron decided to further invest in a second recycling centre on the West coast, so that glass can be recycled from all its operations across the USA.

The 'Repair First' strategy (as described above) also plays a role in the company's ongoing efforts to reduce waste. In 2017, the strategy saved almost 40,000 tonnes of glass waste.

In 2017, Belron recycled 54% of its global glass waste.

These initiatives in energy management, climate impact and waste helped Belron achieve an average Ecovadis score of 61 (level 'Confirmed') for its environmental activities, placing it in the top 11% of companies assessed.

Sustainable procurement

Belron seeks to procure quality products from responsible and sustainable sources and to minimise the environmental and negative social impact of its supply chain. The company therefore defines sustainable procurement as a supply network that adheres to the same environmental and social values as those supported by Belron.

Belron has established its own Supplier Code of Conduct, which sets out the underlying principles on which its supply chain relationships are based. To assess suppliers' adherence to this Code of Conduct, Belron's Procurement Team has been developing a process that identifies and categorises the risk associated with each supplier. This uses a web-based system to address suppliers' compliance and where necessary, carry out assessments and audits to manage the resulting risk effectively.

The system enables users to produce reports easily, allowing the company's purchasers to include sustainability in their evaluation and management of suppliers. Twenty-four out of the 25 wholly-owned Belron businesses have carried out an assessment using the Ecovadis platform, placing Belron in the top 26% of companies assessed with a score of 52 (level 'Confirmed') for its sustainable procurement approach.

Customer satisfaction

Maintaining a high standard of customer service is crucial to making Belron the leading company in its industry and beyond. It is closely related to the reputational risk that may be caused by adverse publicity. Belron is committed to being open and honest in all dealings with its customers and ensures that this attitude is reflected in all of its decisions. It constantly monitors how customers feel and uses this to provide an even better service. The company is committed to responding positively and promptly to customer claims, enquiries and complaints made in good faith and does all it can to turn unhappy customers into ambassadors. Belron measures customer loyalty and satisfaction across its business by asking customers to rate on a scale of one to ten, "How likely are you to recommend Belron to a colleague or friend?" following the methodology of the Net Promoter Score (NPS), a recognised loyalty metric. Belron consistently achieves a global NPS score of over 80.

Employee satisfaction

Employee satisfaction is a material aspect of the business as Belron employees are at the very core of its quality of service. Belron's overall aspiration is for all of its employees to feel that it is "the best place they will ever work". The company nurtures its strong culture – the Spirit of Belron – around four core values: Care, Driven, Collaborative and Genuine. The Genuine attribute encompasses the company's core ethical principles of Integrity, Respect and Trust. These principles are described in the Belron Code of Ethics – Our Way of Working – which sets out how Belron's staff and partners are expected to work with each other, how they work with others and how the business is managed.

A monthly pulse survey, called the Belron People Measure (BPM), asks employees to answer the question "How was work for you last month?" using a rating of 1 to 10 and for verbatim comments on "What was good about it?" and "What could have been better?" The BPM is available in 24 of the 25 wholly-owned businesses and allows the business units to have regular updates on how their employees feel, enabling them to take action if necessary. The average Year-To-Date score of the BPM across Belron's business units is 7.8 out of 10.

Belron also holds a competition once every two years to communicate, demonstrate and reinforce standards of safety, quality and customer service, as well as to recognise and reward the best technicians. The top technician from each country then competes at an international final where the winner is crowned Best of Belron.

Employee safety

Everyone at Belron is expected to behave in a way that ensures a safe working environment for employees, customers and suppliers. Belron commits to providing everyone with the correct training and skills to feel confident in their role, including stringent safety procedures for technicians so that they can deliver the highest technical standards.

A core risk is injury or harm to an employee or member of the public while repairing or replacing a windscreen, which could lead to reputational damage, legal consequences and economic loss. The business mitigates risk in this area by developing safety standards that are embedded in the Belron 'Way of Fitting'. These methods, tools, training courses and assessments are developed and implemented across the group by an internal technical team. This includes the STOP, Quality Starts with Safety and 1-2-3-Easy programmes, which reinforce health and safety standards across all Belron operations. In addition, each business is responsible for implementing the necessary measures to comply with their national requirements and many businesses have dedicated Health & Safety and/or Internal Audit personnel to audit their procedures.

Health & Safety indicators are also present in the Ecovadis CSR benchmarking programme regarding labour practices and human rights, including the presence of health & safety committees, hours of training and accident rates. Belron obtained a "Confirmed" level in this area (see paragraph on the respect for human rights). The results of the programme help to highlight areas and opportunities for improvement.

Community engagement

There is a strong tradition of community activity across all of Belron's business units and the company aims to make a difference through local strategies driven by the passion and energy of its staff. Its businesses are responsible for selecting and managing their community initiatives and charitable partners, thereby enabling them to choose a strategy that best reflects their local needs. Through the work and effort of its people, Belron is able to support charities on a local and national scale through donations and assets such as computers, as well as creating opportunities to fundraise, volunteer and share skills.

Belron also recognises the impact that it can have as a global community by working together to raise money. Since 2002, Belron employees from around the world have raised over EUR 9.7 million by coming together to take part in the annual 'Spirit of Belron Challenge'. The event, which is in aid of a South African charity, Afrika Tikkun, sees employees from all areas of the business as well as families, friends and business partners, take part in various sporting events. Afrika Tikkun is dedicated to investing in education, health and social services for children, young people and their families through its many programmes and Community Centres of Excellence, helping to break the cycle of poverty. The charity supports over 19,000 people annually in townships near Johannesburg and Cape Town and employs over 600 staff from the local communities.

2.1.5 Respect for Human Rights

Human rights are a fundamental pillar of ethics and Belron's guiding principles. In the same way Belron's employees respect each other in the workplace, Belron has a responsibility to promote and protect human rights and to ensure that its operations do not contribute directly or indirectly to human rights abuses. Belron adheres to and promotes clear ethical standards for itself and expects similar standards from all third parties who work with the company or on its behalf.

Belron outlaws the use of child labour in any form. It does not employ anyone below the age of 16 or the local legal minimum employment age should this be different in a country it operates in. It will not use suppliers who use child labour. The working conditions of all of its employees, contractors and suppliers must be compliant with national legislation and in cases where this is deemed insufficient, with the relevant International Labour Organisation Standards. In no instance will inhumane treatment of its employees or those in its supply chain be acceptable, including any form of forced labour, physical punishment or other abuse.

Through its Code of Ethics and its CSR benchmarking Ecovadis programme, Belron has systems in place to ensure that the Articles of the United Nations Universal Declaration of Human Rights are assessed, prioritised and implemented as they apply to its sphere of influence. Employees are encouraged to speak up about any ethical concerns they may have, and while Belron encourages any concerns to be raised within the local country, it has an external and independent line available (Speak Up, available through the external provider Expolink).

Twenty-four out of the 25 wholly-owned Belron businesses have used the Ecovadis platform to carry out an assessment on these matters. The businesses are required to provide details of their policies, actions and results in relation to their implementation of health and safety policies, working conditions, measures in place regarding discrimination and human rights, employee rights to join collective bargaining organisations and health and safety indicators such as accident rates and hours of training. This process enables Belron's businesses to regularly revisit policies and procedures to ensure they are up to date with all relevant legislation and working practices. The results placed Belron in the top 11% of businesses across the world using the Ecovadis measurement, with a score of 60 (level 'Confirmed') for labour practices and human rights.

2.1.6 Anti-corruption and bribery matters

Belron's ethical principles act as a reminder that offences such as bribery and corruption are not tolerated within the business. The Company believes that no one should obtain or retain business through coercion. Even the suggestion of such action could seriously damage the reputation of Belron (see paragraph on Integrity Risk, available on page 99 of this report). Belron does not condone, under any circumstance, the offering or receiving of bribes or any other form of improper payment. Belron will not accept or offer money to any employee of a government organisation or a government official. Similarly, it does not tolerate any such activity by its employees or by those with whom it does business. Twenty-four of the wholly-owned Belron businesses have used the Ecovadis platform to carry out assessments on this matter. The businesses are required to provide details of their policies, actions and results in relation to anti-bribery and corruption, conflict of interest, fraud, money laundering, anti-competitive practices, truthfulness of marketing and advertising messages as well as data protection and privacy. The results placed Belron in the top 11% of businesses across the world using Ecovadis measurement tools, with an average score of 63 (level 'Confirmed') for fair business practices.

2.2 D'IETEREN AUTO

2.2.1 Description of the business

As part of its 70-year old relationship with the Volkswagen Group, D'Ieteren Auto imports and distributes the vehicles of Volkswagen, Audi, SEAT, Škoda, Bentley, Lamborghini, Bugatti and Porsche across Belgium, along with the brands' respective spare parts and accessories.

It is the country's number one vehicle distributor, with a market share of around 21% and 1.2 million vehicles on the road. D'Ieteren Auto manages a strong network of independent dealers across the country and corporately owns about 20 locations, mainly on the Brussels-Mechelen-Antwerp axis.

Besides distributing vehicles in Belgium, D'Ieteren Auto provides after-sales services through its Corporate-owned operations. These include bodywork, maintenance and repair, glass repair and tyre replacement. It also sells used vehicles through My Way centres and My Way Authorized Distributors. In addition, D'Ieteren Auto provides car financing and long-term car rental services through a joint venture between D'Ieteren and Volkswagen Financial Services. Finally, it distributes the products of Yamaha in Belgium and the Grand Duchy of Luxembourg through D'Ieteren Sport.

D'Ieteren Auto's business model is currently evolving towards supporting citizens' social life through a more fluid, accessible and comfortable mobility. The company is focussing strongly on promoting responsible mobility, mainly through the initiatives of its recently-launched subsidiary, LabBox (see section 2.2.2 – Innovation below).

2.2.2 Material environmental and social aspects

Climate impact/CO_2 emissions

D'Ieteren Auto is aware that its distribution of polluting combustion vehicles and the carbon emissions of its own activities have an impact on climate.

It will first reduce its climate impact by expanding its clean car offer. In this respect, the Volkswagen Group aims for 25% of the cars sold by the Company to be electric by 2025.

D'Ieteren Auto is also striving to self-produce 45% of its electricity needs across all sites by 2018, along with lowering its energy consumption by 20% compared to 2006. Investment is being directed into the production of D'Ieteren Auto's own renewable energy by using solar photovoltaic panels. As a result, and thanks to the positive contribution of cogeneration systems based in D'Ieteren Auto's main buildings, a record 43% of the company's energy needs were self-produced energy at the end of 2017.

D'Ieteren Auto has been calculating the CO_2 impact of its activity since 2009. The carbon footprint is measured on an annual basis with the support of an external specialised climate consultancy firm. The data is compiled following the Bilan Carbone, which in turn is aligned with the GHG Protocol and the GRI Standards. In 2017, D'Ieteren Auto's carbon footprint represented 20,077 tons of CO_2 or 12 tons of CO_2 per FTE.

Furthermore, the company is looking to cut CO_2 emissions by raising awareness amongst its employees, promoting working from home, environmental-friendly driving habits, multimodal solutions such as combining public transport and company cars, cycling or car-pooling with a parking space guaranteed. In 2017, an online car-pooling platform was set up for employees in different operating sites. D'Ieteren Auto also organises a daily shuttle service for its employees connecting its sites to main train stations in the vicinity.

A land-use policy has also been developed to create green corridors across several operating sites. Green corridors aim to enhance biodiversity by planting local plants and trees that attract bees and small-sized local wildlife. These corridors do not require any upkeep and, on top of their positive ecological impact, allow for the temporary collection of rainwater.

Waste management

In the context of D'Ieteren Auto's activities, waste management entails the recycling of used vehicles and the monitoring of other waste arising from the day-to-day activities.

In accordance with Belgian legislation, D'Ieteren Auto facilitates the recycling of used vehicles for customers and non-customers alike. In addition to the legal allowances received from the recycling company, D'Ieteren dealers offer an extra-allowance to used vehicle owners that return their vehicle for recycling.

D'Ieteren Auto is also actively promoting the sorting and collection of the waste generated in its offices, workshops, stores and garages, as well as the storage of harmful materials. In 2017, more than 75% of the Company's waste was recycled.

Innovation

Three trends are shaping the car of the future, all of them being the result of technological advances: the electrification of cars, developments in connectivity and automation, and the transformation of the car into a smart, multi-use mobile tool. In parallel with these technological advances, a number of societal and economic trends are converging to transform the concept of mobility. These include restrictions on the number of private cars, a narrowing of road lanes, the introduction of new forms of taxation based on usage and above all, the shift towards a sharing economy. D'Ieteren Auto is therefore striving to innovate in these fields in order to be at the forefront of tomorrow's mobility market.

At the end of 2016, a business unit was created to explore, analyse and develop flexible and innovative services relating to mobility. In 2017, this business became a subsidiary called Lab Box. In January 2018, it officially launched Poppy, a car-sharing service for low- and zero-emission(s) vehicles based in Antwerp. Other initiatives are currently being tested and developed with a special focus on intermodality and MaaS platforms (for "Mobility as a Service"). In March 2017, D'Ieteren Auto signed the Green Deal Gedeelde Mobiliteit, which aims to increase shared mobility in Flanders. The Flemish government, along with 76 other partners, is supporting this initiative. Its objectives for 2020 are to increase the number of car-sharing vehicles from 28,000 to 80,000, the number of bicycles from 196,000 to 400,000 and to double the number of car-pooling commuters.

Sustainable procurement

Cars account for the bulk of D'Ieteren's purchasing costs. Over the years, D'Ieteren Auto has built a solid partnership with Volkswagen. Wholesale agreements have been formalized and are revised periodically.

Wherever possible, D'Ieteren Auto also manages its indirect spending (for operations) through contractual relationships. For all the contracts that are negotiated centrally by its Procurement Department (including consequent purchases such as electricity), suppliers must sign the procurement charter drafted by the company. In doing so, they commit to respecting the Ten Principles of the UN Global Compact during their commercial relationship with D'Ieteren Auto.

More pro-actively, D'Ieteren Auto now has a more responsible supply chain strategy. On top of the usual quality/price criteria and financial stability of the supplier, social, environmental and ethical criteria are also considered when selecting suppliers.

Preferential criteria promote suppliers that:

- are local companies
- have been certified using environmental and social measurement and data management systems (for instance ISO 14001, SA8000, OHSAS 18001, …)
- have adopted an ethical charter
- belong to a network of responsible businesses
- demonstrate a proactive policy in terms of environmental protection and social engagement.

Customer Satisfaction

Customer satisfaction is highly important for D'Ieteren Auto, which aims to remain the provider of choice for all of its clients. To this end, an external partner conducts a survey called 'Customer Experience Management' on a yearly basis. On the model of the Net Promoter Score (NPS), clients are asked whether they would recommend D'Ieteren Auto's services to their friends. In 2017, the score reached 92.3% for sales and 88.3% for after-sales.

Employee development

D'Ieteren Auto aims to retain and attract the best talent. In order to strike the right balance between employees' career aspirations and the company's needs, the human resources department developed the 'CaReer Model'. The CaReer Model provides a clear vision of the different career opportunities available at D'Ieteren Auto and allows employees and their supervisors to openly discuss employees' skills and development needs. As a result, they can together devise a personal development plan that is relevant to each employee and allows him or her to progress within the organisation.

D'Ieteren Auto places the training and qualifications of its employees and future recruits at the heart of its development strategy. In 2017, the Company's employees benefited from 39,605 hours of technical and/or behavioural training, which represents an average of around 24 hours training per employee, or 3 days of training per person. The personal and professional development of employees is encouraged through appraisals and coaching sessions conducted by managers throughout the year. Managers are also given support and assessed on their leadership abilities.

Employee safety

Guaranteeing the health and safety of employees in the workplace is of crucial importance to D'Ieteren Auto due to the nature of a business that deals with car maintenance, machinery, and chemical products. In terms of safety in the workplace, there is a zero-tolerance policy regarding breaches of safety standards. D'Ieteren Auto aims to get as close as possible to the zero-incident level, though it recognises that eliminating risk altogether is impossible. Workers in maintenance workshops carry out risk assessments, make inventories of protection and intervention measures and conduct workshops on fire prevention and safety, etc. This has led to a significant reduction in the severity of workplace accidents. In 2017, there was also a significant reduction in the number of work accidents leading to temporary work incapacity (43 compared to 50 in 2016) and in the number of lost workdays (776 compared to 2,085 in 2016).

Employee satisfaction

D'Ieteren Auto carries out satisfaction surveys with all of its employees in order to determine ways to improve worker motivation and well-being. The latest survey, completed in 2016, showed an overall satisfaction rate of 74.5%. Subsequently, the Human Resources department has taken various initiatives to respond to the wishes of its employees, amongst which the new CaReer Model and an overhaul of the pay structure.

D'Ieteren Auto's efficiency relies on its employees and on their engagement to achieve both an improvement in personal and collective performances. As such, the company wants to offer its employees a safe, fulfilling, balanced and learning-friendly environment where wellbeing is a priority. Homeworking is increasingly encouraged, supported by a communication campaign entitled "Ho.ffice, another way to be @ work", launched in 2018. This campaign aims to define a precise framework for the ideal homeworking conditions and facilitate its access to all employees.

In 2017, training sessions were held to prevent burn-out in the workplace and ensure that employees are able to maintain a healthy work-life balance. Over the year, employees attended a total of 2,327 training hours.

Community engagement

D'Ieteren Auto's 'Give & Gain' philanthropy policy aims to support charities connected to its work, in areas where the company can bring real added value. It also aims to encourage employees to take part in solidarity initiatives. There are three types of activity undertaken within this framework:

- volunteering activities offer employees the chance to form a team that dedicates a work day to charitable projects. 200 employees on average volunteer each year in aid of around 15 charities.
- the annual call for projects aims to provide one-off financial assistance to non-profit organisations, in response to requests from company employees who seek to finance a project that promotes socially-responsible mobility.
- long-term programmes that invest in larger-scale social projects that have the potential to drive positive change closely linked to socially-responsible mobility e.g. road safety awareness sessions in schools in deprived neighbourhoods (which have raised awareness among 700 young people since 2015), and the 'License to Work' programme, a social driving school that helps disadvantaged people to obtain a driving licence in order to increase their chances of finding a job. Finally, D'Ieteren Auto has completed a study aimed at improving its understanding of how to encourage socially-progressive and inclusive mobility (study available on http://giveandgain.dieteren.com/)

2.2.3 Respect for Human Rights

D'Ieteren Auto operates only in Belgium and complies with a strict social/legal framework that addresses areas like working conditions, health and safety requirements and collective bargaining regulations.

It invests in employee safety, development and satisfaction (see appropriate sections above).

As a preventive measure, D'Ieteren Auto requires all of its suppliers to adhere to its Procurement Charter, which implements the Ten Principles of the UN Global Compact (see section on Sustainable procurement above).

2.2.4 Anti-corruption and bribery matters

The Company's Code of ethics – "The Way We Work" – makes it clear that all employees must respect anti-corruption and anti-bribery laws. Corruption, attempted corruption, fraud and money-laundering are not tolerated and constitute a real risk to both the employee and the Company. A new version of D'Ieteren Auto's Code of ethics will be released in 2018.

2.3. MOLESKINE

2.3.1. Description of the business

Moleskine is a premium and aspirational lifestyle brand with global reach. It is synonymous with culture, travel, memory, imagination and personal identity. A symbol of contemporary nomadism, its product range encompasses notebooks, diaries, journals, bags, writing instruments, reading accessories and hybrid products that migrate content from paper to digital devices and vice versa. Moleskine has its finger on the pulse of contemporary creativity and is present across a network of websites, blogs, online groups and virtual archives, not least within the brand's own online community, myMoleskine. The Company sells its products through a multichannel distribution platform in more than 115 countries.

2.3.2. General comment: Environmental impact

The question of sustainability has always been at the heart of Moleskine's concerns. The environment is a primary resource that the Company is committed to protecting. It therefore seeks to balance economic benefit and environmental protection in all of its activities, developing them with respect for current environmental regulations while bearing in mind the rights of future generations. As the Company operates primarily as a distributor, most of its environmental footprint comes from the operations of its suppliers. It therefore seeks to implement its values through the supply chain.

2.3.3. Material aspects

Climate Impact/CO_2 emissions/Deforestation

Moleskine acts to reduce the direct and indirect environmental impact of its activities on a daily basis, both in the office (e.g. by installing solar panels to improve energy efficiency) and in the production processes that it manages.

Given that Moleskine's key products rely on the supply of paper, the company recognises deforestation as a material side-effect of its business. Moleskine produces and sells products according to the standards of the Forest Stewardship Council (FSC) Chain of Custody, which guarantees the traceability of wood within the transformation process. The company has also obtained the latest Forest Stewardship Council certification (FSC Mix), which ensures that 100% of Moleskine's paper products come from responsibly-managed forests that provide environmental, social and economic benefits (see the section on "Risks of non-compliance with standards and regulations" on page 97 of this report).

Waste management

Moleskine creates objects that are primarily designed to be kept, reused and treasured. Wasteful packaging is kept to a minimum and Moleskine's packaging is frequently designed to be reused. For instance, the paper band that comes wrapped around Moleskine notebooks can be personalized to record details of the user's thoughts and experiences. More than 88% of the paper products in the 2017 catalogue have a reusable paper band.

Sustainable procurement

Moleskine adheres to a set of legal and ethical standards as defined in the Group's Code of Ethics, adopted since 2013. This Code serves to reaffirm the Group's deep-seated commitment to meeting the highest standards of legal and ethical conduct in its commercial dealings and employee management.

Relationships with Moleskine's suppliers and distributors are governed by the principles of propriety, transparency and good faith. The Company undertakes to use objective, openly-declared and transparent selection criteria, and to respect scrupulously the conditions contained in the contract.

Suppliers are selected based on fair and impartial criteria after evaluating the quality and value for money of their products or services, their technical and professional suitability, their respect for the environment and their commitment to social well-being. Those suppliers and distributors operating in sectors and/or with procedures that are not in line with the values contained in Moleskine's Code of Ethics are considered to be incompatible, even if the financial terms they offer are favourable.

Moleskine's purchasing conditions require suppliers to guarantee that every stage of their chain of production complies with the SA8000 international Social Responsibility Standard. This standard, which is regularly updated, applies to all working conditions and covers safety, hygiene, under-age workers and non-voluntary work (exploitation), the legitimacy of employment contracts and the environment.

These strict standards ensured that 89% of goods purchased in 2017 by the Company came from certified vendors.

- Controlling the impact of chemical usage

Moleskine products are made out of paper or other materials that impact the environment in some way. Moleskine is actively engaged in taking precautions to help safeguard the health of the environment and people. All Moleskine notebooks are made with paper that is acid- and chlorine-free, making them environmentally-friendly products. The Company aims to buy all of its products from suppliers that can either:

(a) guarantee that "REACH" regulations on raw materials have been respected. These aim to improve the protection of human health and the environment through better and earlier identification of the intrinsic properties of chemical substances; or

(b) comply with "Proposition 65" of the Office of Environmental Health Hazard Assessment (OEHHA), known as the Safe Drinking Water and Toxic Enforcement Act of 1986, which lists chemicals requiring a disclaimer to be made to customers and forbids some chemicals from being released in drinkable water sources.

All Moleskine products in the 2017 Catalogue are REACH and/or Proposition 65 compliant.

Innovation

Moleskine is committed to contributing to the development and wellbeing of the communities in which it operates. It aims to introduce wide-ranging innovation at all levels of the organization and constantly acts to maintain and improve the way it does business, actively seeking to intercept emerging trends and mindstyle changes.

It consolidates its commitment to these values through a series of external initiatives aimed at encouraging talent and innovation:

- *The Moleskine Open Innovation Programme: Fueling talent, ideas and passion.*

  This was a call for innovative ideas to add to the growing Moleskine+ ecosystem of smart objects and services. The project invited talented start-ups and scale-ups from all over the world to submit concepts, projects and proposals and turn inspiring ideas into business reality.
- *The Moleskine Creativity Hub: Towards a stronger emotional connection with our community. This project aims to generate content, engage the community* and promote innovative and leading-edge research within and across disciplines. The content is generated in original ways by the Moleskine community, including students, writers, designers, thinkers and business innovators, all expressed through various platforms and spaces including the Moleskine Café and Fold magazine by Moleskine.

In 2017, the company sustained creativity in the community through the Moleskine Creativity Hub and Moleskine Incubator for young creatives and emerging talents. It totaled 15 cultural sponsorships and held 15 events at the Moleskine Café.

Community engagement

The Moleskine Foundation: Quality education is key to driving our collective future

The Moleskine Foundation is a non-profit organization that was created in 2006 as “lettera27”, an unconventional cultural incubator. The Foundation built on lettera27’s successful heritage of working with people, values and projects, and operates in complete independence from the Moleskine company.

The Moleskine Foundation believes that quality education is key to producing positive change in society and driving our collective future. It is committed to providing youth with unconventional educational tools and experiences that help foster critical thinking, creativity and life-long learning skills, with a focus on communities affected by cultural and social deprivation.

To achieve this, the Foundation works at the intersection of three focus areas: innovative education, art and culture for social transformation, advocacy and cross-cultural awareness. With a special focus on Africa, the Foundation works closely with local organisations to fund, support and co-create a wide range of distinctive initiatives. Together with its partners and beneficiaries, the Moleskine Foundation strives to catalyse systemic change through an open, participatory and cross-sectorial approach.

Moleskine has made annual monetary contributions to support the Foundation’s projects since its creation in 2006. Until 2020, Moleskine will contribute either 1% of its EBITDA each year, or EUR 0.5 million, whichever is higher. Starting from 2018, Moleskine will also support the Moleskine Foundation by allowing its employees to work for the Foundation on a voluntary basis 8 hours per year and to make payroll-deducted donations to the organisation.

Employee development and satisfaction

Moleskine aims to create a trustworthy working environment where people can express their talent, explore and co-create, with no limit imposed by race, gender, religion, age or political opinion. Moleskine’s human resources policy nurtures its employees’ sense of belonging and pride through meaningful activities and actions that are related to the Company’s unique purpose and culture.

In addition, Moleskine’s ‘hiring from within’ and ‘horizontal job rotation’ approach led to more than 30 employees at the headquarters being offered national and international job rotation opportunities and promotions in 2017 (on an average of about 250 FTEs at the HQ). This way of managing valuable human resources has been proved to motivate employees, increasing performance and work satisfaction.

Moleskine is carrying out its next employee satisfaction survey in 2018.

2.3.4. Respect for Human Rights

The legal and ethical standards that Moleskine adheres to are described in the Company’s Code of Ethics, adopted in 2013. This Code reaffirms the Company’s commitment to meeting the highest standards of legal and ethical conduct in its commercial dealings and employee management. All of Moleskine’s employees must accept the Code when joining the company, as are all vendors who supply Moleskine with raw materials or finished products. 57% of goods purchased in 2017 come from vendors that have signed the Code and agreed to carry out their operations accordingly.

The Company considers unacceptable any type of violence, harassment or undesirable conduct that violates the dignity of a person. All those who observe or are the victim of any form of harassment (sexual or linked to personal, cultural or religious diversity) are asked to report this to the relevant managers or to the Supervisory Board.

The Company aims to propagate and reinforce a safety culture by developing awareness of risks, and developing knowledge of, and compliance with, current prevention and protection legislation, promoting responsible behaviour on the part of all workers. No employee and contractor may expose others to risks and dangers that might cause harm to their health or physical safety, and each worker is responsible for and must act to ensure effective management of workplace health and safety.

As mentioned above, Moleskine requires its suppliers to guarantee that every stage of their chain of production complies with the SA8000 International Social Responsibility Standard (which covers, amongst other points, working conditions, under-age workers and non-voluntary work).

2.3.5. Anti-corruption and bribery matters

Moleskine is strongly opposed to all forms of attempted or actual corruption and bribes. Relationships with the Public Administration must only be handled by individuals expressly authorised for this task and are guided by the utmost honesty and transparency.

In 2013, Moleskine implemented the Italian Legislative Decree 231/2001 by adopting the Organizational and Control Model aimed at preventing bribery and the corruption of public administrations and private entities. It also complies with the Italian Entrepreneurial Association Guidelines (Confindustria Guidelines). A Supervisory Board oversees the efficiency of the Model and must be informed of any possible violation. The Supervisory Board reports twice a year to the Board of directors. No cases of corruption or bribery were registered in 2017 by the Supervisory Board. About 70% of employees in Moleskine offices have been trained on these matters.

Share Information

D'Ieteren share

Minimum lot	1 share
ISIN code	BE0974259880
Reuters code	IETB.BR
Bloomberg code	DIE:BB

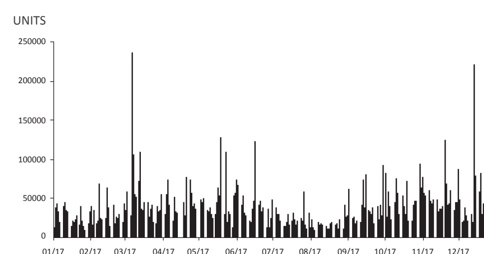
Stock market indices

The D'Ieteren share is part of the Belgian All Shares (BAS) index of Euronext with a weight of 0.32% on 29 December 2017, and of sector indexes published by Dow Jones, Eurostoxx and Bloomberg.

Evolution of the share price and traded volumes in 2017

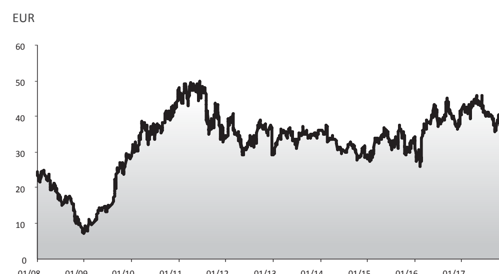
	2017	
Performance	-10.6%	
Total shareholder return[1)]	-8.4%	
Average price (EUR)	40.90	
Maximum price (EUR)	45.88	02/06/2017
Minimum price (EUR)	35.84	15/09/2017
Average volume (in units)	39,457	
Maximum volume (in units)	236,227	07/03/2017
Minimum volume (in units)	7,025	22/12/2017

1) Based on gross dividend



Evolution of the share price over 10 years

	01/01/2008 - 31/12/2017	
Performance	52.6%	
Total shareholder return [1]	78.6%	
Average price (EUR)	32.81	
Maximum price (EUR)	49.85	14/06/2011
Minimum price (EUR)	7.22	29/12/2008
Average volume (in units)	58,263	
Maximum volume (in units)	820,930	30/05/2008
Minimum volume (in units)	3,900	24/12/2009



1) Based on gross dividends

Detailed and historic information on the share price and the traded volumes are available on the website of D'Ieteren (www.dieteren.com).

Dividend

If the allocation of results proposed in Note 20 of this report is approved by the Ordinary General Meeting of 31 may 2018, a gross ordinary dividend of EUR 0.95 per share and a gross extraordinary dividend of EUR 2.85 per share, totalling EUR 3.80 per share will be distributed. The dividend will be paid starting on 7 June 2018.

Evolution of the gross dividend per share over 10 years