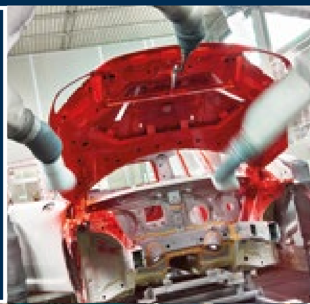
ANNUAL REPORT 2016



VDL Nedcar

CONTENTS

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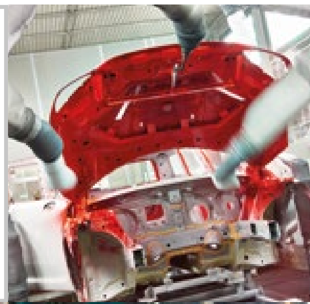
REPORT 2016



VDL Nedcar

PROFILE OF VDL NEDCAR

VDL Nedcar B.V. (VDL Nedcar) is a limited liability company. Since 14 December 2012, the issued and paid-up share capital of the company of € 250,010,091 has been held in full by the Dutch company VDL Groep B.V. (VDL Groep) located in Eindhoven. Since 15 October 2013 the shares are held via VDL Car Beheer B.V., a full subsidiary of VDL Groep.

As from its founding in 1967 the principal activity of the company - formerly known as Daf Personen-autofabriek BV, Volvo Car BV and Netherlands Car BV - was the volume production of passenger cars for its respective shareholders. It produced various passenger car models under the brands DAF, Volvo, Mitsubishi and smart. Since the end of 2012 the company - under its new name VDL Nedcar BV - has developed into an independent vehicle contract manufacturer, with BMW as its first client. It now manufactures three different models for the MINI brand. The company also produces sheet metal parts for various customers.

VDL Nedcar's registered office is in Sittard-Geleen (Born), the Netherlands. The Articles of Association of VDL Nedcar were confirmed by a notarial instrument dated 30 November 1991 and most recently amended by an instrument dated 17 December 2012. The company is entered in the Trade Register of the Chamber of Commerce and Industry for Zuid-Limburg in Roermond, under number 14027374.

Statutory directors

J. Govaarts (President)	until 1 January 2017
C. Bouckaert (Chief Executive Officer)	as of 17 June 2009
VDL Car Beheer B.V. (General director)	as of 15 October 2013

Company Secretary

H. Ambergen	as of 1 April 1999

VDL Nedcar has gained certification for:
ISO/TS 16949:2009, ISO 9001:2008, ISO-14001:2014 and ISO 27001:2013.

KEY FIGURES

(All financial amounts x € 1,000)

	2016	2015	2014	2013	2012
Invoiced sales	1,367,538	911,462	767,032	94,511	505,240
Operating result	32,612	24,056	5,184	-423	-130,807
Result before taxation	33,075	24,296	5,585	0	-129,948
Result before taxation / sales	2.4%	2.7%	0.7%	0.0%	-25.7%
Net profit	25,078	18,408	4,338	0	-129,948
Net profit / sales	1.8%	2.0%	0.6%	0.0%	-25.7%
Depreciation on tangible fixed assets	24,705	21,735	11,456	12,883	61,996
Cash flow	49,783	40,143	15,794	12,883	-67,952
(Dis)investments tangible fixed assets	49,958	54,810	6,005	38,073	986
Shareholders' equity	279,350	254,272	235,864	226,418	176,418
Balance sheet total	565,158	484,794	464,170	344,435	400,223
Solvency	49.4%	52.4%	50.8%	65.7%	44.1%
Net profit / shareholders' equity	9.0%	7.2%	1.8%	0.0%	-73.7%
Production volume (units)	87,609	57,019	29,196	0	24,895
Number of employees as at 31 December	4,686	2,461	2,495	1,653	1,464
Average number of employees	2,086	1,928	1,657	1,486	1,494

PROFILE OF VDL GROEP

Strength through cooperation. That is the cornerstone of VDL Groep, the international industrial family business headquartered in Eindhoven, the Netherlands. The company was founded in 1953 by Pieter van der Leegte. Initially VDL Groep was specialized in metalworking. Later the portfolio was expanded to include plastics processing, the development, manufacture and sale of buses and coaches, and high-tech subcontracting for the semiconductor industry and others.

Today VDL Groep is a major player in the subcontracting and semi-finished products sectors, produces its own finished products, such as suspension systems, is active in automotive factory automation, builds heat exchangers and container handling systems, and owns VDL Nedcar in Born, the Netherlands' only passenger car assembly factory, which carries out assembly line production of cars for third parties. VDL Groep innovates through a combination of skill, entrepreneurship and high quality machines. The group of companies combines the clout of a multinational with the flat organization and open, informal working atmosphere of a family business where priority is given to growth opportunities and continuity.

VDL Groep operates with almost 15,000 employees in 19 countries. The group comprises 92 operating companies, each with its own speciality, which work together intensively. The combined annual turnover in 2016 was 3.2 billion euros. In November 2016, after 50 years of entrepreneurship, Wim van der Leegte passed the reins of the family business to the management team, which includes his three children Pieter, Jennifer and Willem. Willem van der Leegte has succeeded his father as president and CEO of VDL Groep.

REPORT OF THE MANAGEMENT BOARD

Review

In 2016, VDL Nedcar built the MINI Hatch and the MINI Convertible, which went into production in 2014 and in 2015 respectively, for the BMW Group. In addition, following thorough preparations, production of the MINI Countryman successfully started early November 2016. These developments launched a major increase in production volumes. The size of the workforce also expanded considerably, mainly due to the change-over to a two-shift system in order to meet growing demand. In short, the company is developing successfully.

In 2016, VDL Nedcar continued its development into a high-quality independent vehicle maker. We are delighted with the agreement with BMW that starting in March 2017, VDL Nedcar will be producing the hybrid version of the MINI Countryman. From August 2017, VDL Nedcar will also be commencing production of its first BMW model, the BMW X1.

In July 2016, VDL Nedcar was awarded the ISO/TS 16949:2009 certificate. This is a specific standard for quality management for the automotive industry. This was followed in February 2017 by ISO 27001:2013 certification, a standard for information security.

Also during the year under review, active acquisition was undertaken to attract new customers. In addition work was carried out on increasing utilisation of production capacity in the Press Shop. Together with the relevant government authorities, the infrastructure is currently being optimised, and space is being created for growth options for the factory. With that in mind, the company has taken up strategic land positions.

As of 1 January 2017, Joost Govaarts stepped down as President & Chief Executive Officer. The company wishes to specifically thank him for his exceptional efforts on behalf of the business in his 33-year career, in particular during the relaunch phase over the past few years. Carel Bouckaert, formerly Executive Vice President and Chief Operating Officer, has succeeded him as Chief Executive Officer.

Several aspects of the organisation structure have been adapted to allow the company to deliver the optimum response to the current challenges. In particular, the distribution of tasks within the management team has been altered and the link between the engineering and production departments further strengthened.

Products and production volume

In 2016, VDL Nedcar produced a total of 87,609 MINI Hatch, MINI Convertible and MINI Countryman vehicles. The invoiced sales figure of € 1,368 million was attributable primarily to the production of these vehicles and the invoicing of engineering and project work to BMW. The company also supplied pressed parts to third parties.

Personnel

During the year under review, the size of the workforce grew considerably with 2,225 employees from 2,461 on 1 January to 4,686 employees on 31 December.

Result

The result after tax of € 25.1 million has been transferred to the shareholders' equity.

Use of funds

In 2016, the total value of company assets increased from € 484.8 million to € 565.2 million. Net investments amounted to € 50.0 million, while € 24.7 million was released from depreciation. This resulted in an increase of € 25.3 million in the book value of tangible fixed assets. Total current assets increased in 2016 from € 256.4 million to € 311.5 million.

Financing

The company did not make use of any external financing in 2016. During the financial year 2016, in particular as a consequence of the growth in operating capital and the net investments, a negative cash flow of € 41.3 million was generated. For explanatory notes regarding the financial instruments, please see the principles applied for valuation and determination of results, as stated in the annual accounts.

Distribution of dividend

No dividend has been paid to the shareholders.

Risks

Although the cooperation with BMW is going well, dependence on a single customer constitutes a strategic medium-term risk, which we aim to limit by means of acquisition efforts. To enable the acceptance of future orders, we need to have sufficient options for expansion, both in terms of personnel (at all levels) and as regards spatial and permit-related aspects. To ensure this we are currently taking concrete steps together with the authorities and various other relevant parties.

Corporate social responsibility

In all its business practice, VDL Nedcar focuses specific attention on corporate social responsibility. This position is adopted based on the conviction that corporate social responsibility is a precondition for long-term continuity. Corporate social responsibility in our operations is not only demanded by our customers, but also expected by our employees, our immediate environment and society in general. Against that background, in addition to commercial criteria, all our decisions also specifically take account of a series of elements including energy saving, environmental awareness, equal treatment and the demands of civil society. We require the same considerations from our suppliers.

Outlook

For 2017, the outlook is positive. Production volumes are expected to increase considerably compared with 2016 which will give rise to further substantial growth in the size of the workforce. VDL Nedcar plans to recruit the vast majority of these new employees from the target group of benefit recipients. A specific training and trial appointment scheme is available to them. Also the investment level will increase significantly in comparison to 2016. We expect that all investments can be financed from the working capital and that there will be no need for external funding.

With the introduction of the new vehicle models, the considerable growth in production numbers and the growth in the size of the workforce, it is crucial to closely monitor and further strengthen the stability of all work processes. For the longer term, too, the outlook for growth in production numbers and employees is favourable.

We will also focus on further strengthening and developing our competences and on acquiring new orders. In addition, more emphasis will be placed on spatial planning. As an independent car manufacturer, VDL Nedcar will remain flexible in relation to its customers. After all, VDL Nedcar acts as a flexible capacity buffer for its customers, and as such is required to respond rapidly to changing market conditions.

We can look back on 2016 with satisfaction. We would like to thank everyone who has played a part in achieving these results. In 2017, we will continue unabated in realising our ambitions and preparing the company for a stable future. In all those efforts, we rely on the support of everyone involved in the company.

In the first quarter of 2017, VDL Nedcar achieved a sales figure of 593 million euro as compared to 319 million euro in the first quarter of last year.

Sittard-Geleen (Born), 10 April 2017
The Management Board

FINANCIAL STATEMENTS 2016

BALANCE SHEET

All amounts x € 1,000

After profit appropriation

		31 December 2016		31 December 2015
ASSETS				
Fixed assets				
Tangible fixed assets		253,612		228,359
Financial fixed assets		24		24
Current assets				
Inventories and work in progress		71,505		35,680
Projects in progress		0		0
Receivables		231,258		170,656
Liquid assets		8,759		50,075
		565,158		**484,794**
LIABILITIES				
Shareholders' equity				
Share capital	250,010		250,010	
Premium reserve	50,000		50,000	
Revaluation reserves	45,393		46,089	
Other reserves	-66,053		-91,827	
		279,350		254,272
Provisions		20,286		18,397
Current liabilities		265,522		212,125
		565,158		**484,794**

PROFIT AND LOSS ACCOUNT

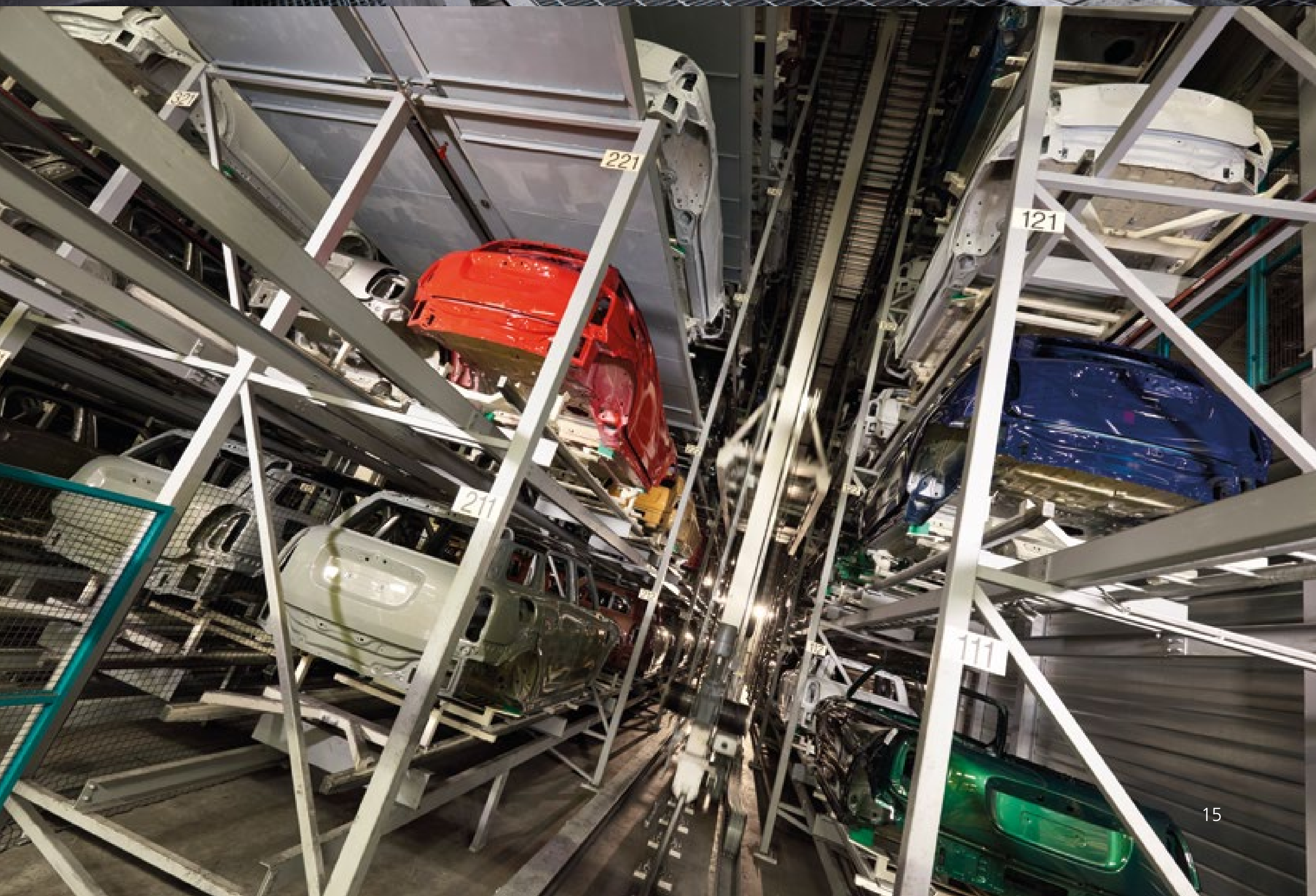
All amounts x € 1,000

		2016		2015
Invoiced sales		1,367,538		911,462
Change in projects in progress		17,567		-11,065
Net sales		1,385,105		900,397
Other operating income		5,341		5,064
Total operating income		1,390,446		905,461
Costs of raw materials and consumables	1,079,869		678,118	
Costs of work contracted out and other external costs	68,275		51,817	
Wages and salaries	151,050		108,935	
Social security contributions and other personnel expenditure	34,377		23,388	
Depreciation on tangible fixed assets	24,705		21,735	
Other operating costs	-442		-2,588	
Total operating costs		1,357,834		881,405
Operating result		32,612		24,056
Financial income and expenses		463		240
Result before taxation		33,075		24,296
Taxation		-7,997		-5,888
RESULT AFTER TAXATION		**25,078**		**18,408**

CASH FLOW STATEMENT

All amounts x € 1,000

		2016		2015
Cash flow operational activities				
Operating result		32,612		24,056
Adjustments for:				
Depreciation on tangible fixed assets	24,705		21,735	
Change in provisions	1,481		2,740	
		26,186		24,475
Change in working capital:				
Inventories	-35,825		-2,903	
Projects in progress	-22,790		11,065	
Trade receivables	-4,522		7,761	
Other receivables	-56,080		10,564	
Debts to trade creditors	69,505		1,918	
Other current liabilities	6,682		-13,811	
		-43,030		14,594
Cash flow business operations		15,768		63,125
Interest paid / received	463		240	
Paid taxes	-7,589		-5,608	
		-7,126		-5,368
Cash flow operational activities		8,642		57,757
Cash flow investment activities				
Investments in tangible fixed assets	-49,996		-54,899	
Disinvestments tangible fixed assets	38		89	
Cash flow investment activities		-49,958		-54,810
Change to cash flow		-41,316		2,947
Liquid assets developed as follows:				
Position as at 1 January		50,075		47,128
Change in financial year		-41,316		2,947
Position as at 31 December		8,759		50,075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121
211
111


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PRINCIPLES FOR VALUATION AND DETERMINATION OF RESULT

GENERAL

Activities

The principal activities of VDL Nedcar B.V. are the production of passenger cars and components, parts and accessories.

Establishment address

VDL Nedcar B.V. is effectively established at Dr. Hub van Doorneweg 1 in Born.

Group relationships

VDL Nedcar B.V. is part of the VDL Groep ('Group'). At the head of this group is VDL Groep B.V. with its registered office in Eindhoven, the Netherlands. The financial statements of VDL Nedcar B.V. are contained in the consolidated financial statements of VDL Groep B.V. The consolidated financial statements of VDL Groep B.V. are available from the offices of VDL Nedcar B.V..

Change in accounting policies

For the valuation of buildings and land used for business purposes, VDL Nedcar B.V. assumed the replacement value as contained in the Current Value Decree. As a consequence of a change to legislation, this valuation principle is no longer permitted (article 1 paragraph 2 of the Current Value Decree) as a consequence of which VDL Nedcar B.V. has implemented a change in accounting policy.

Since 1 January 2016, VDL Nedcar B.V. has valued its buildings and land used for business purposes at historical cost. VDL Nedcar B.V. thereby makes use of the transition ruling contained in RJ 212.8, which permits prospective accounting. As a result, on 1 January 2016, the book value on the basis of replacement value was taken as the underlying principle for the historical cost. The existing revaluation reserve on the transition date will be released upon realisation, in other words through depreciation or sale in future periods.

As a consequence of the outlined transition ruling, this change in accounting policy has no impact on the shareholders' equity as at 1 January 2016, or the result for 2016. This change in accounting policy also has no impact on the comparative figures.

Estimates

To make it possible to apply the principles and rules for drawing up the financial statements, it is necessary that the management of VDL Nedcar B.V. prepares a judgement on various issues, and that the management makes estimates that could prove essential for the amounts contained in the financial statements. If necessary for the degree of insight required in article 2:362 Nd 1 of the Netherlands Civil Code, the nature of these judgements and estimates, including the accompanying assumptions, is contained in the explanatory notes to the relevant items in the financial statements.

Consolidation
As from 2016, no further consolidated financial statements have been drawn up for VDL Nedcar B.V. since the participations held by the company both individually and jointly are of negligible importance.

Related parties
All legal entities over which predominant control, shared control or significant influence can be exercised are identified as related parties. Legal persons capable of exercising predominant control are also identified as related parties. The members of the board under the articles of association, other key officers in the management of VDL Nedcar B.V. and the parent company of VDL Nedcar B.V. and close relatives are related parties.

Significant transactions with related parties outside the Group are explained in as much as they are not entered into according to normal market conditions. Of these transactions, the nature and scale of the transaction and other information necessary for providing sufficient insight is provided.

Explanatory notes to the cash flow statement
The cash flow statement was prepared in accordance with the indirect method. The funds in the cash flow statement consist of the liquid assets, with the exception of deposits with a term of longer than three months. Cash flows in foreign currency are converted at an estimated average exchange rate. Exchange rate discrepancies on funds are shown separately in the cash flow statement. Income and expenditure from interest, receipts of dividends and income tax expenditure are accounted for under the cash flow from operational activities. Paid dividends are accounted for under the cash flow from financing activities.

GENERAL PRINCIPLES

General
The financial statements were prepared in accordance with the statutory provisions contained in Part 9 Book 2 of the Netherlands Civil Code and the clear statements from the Dutch Accounting Standards, issued by the Dutch Accounting Standards Board.

Assets and liabilities are generally valued at historical cost or manufacturing cost or fair value. If no specific valuation principle is stated, valuation is made according to historical cost.

Comparison with previous year
The principles of valuation and determination of result remain unaltered as compared with the previous year, with the exception of the applied change in accounting policy as outlined in the relevant paragraph.

Foreign currencies
The financial statements are prepared in euros. This is both the functional and presentation currency of VDL Nedcar B.V.. Transactions in foreign currencies during the reporting period are reflected in the financial statements at the exchange rate on the balance sheet date.

Operational leasing
Lease contracts may exist within the company, whereby a large proportion of the advantages and disadvantages relating to ownership do not lie with the company. These lease contracts are accounted for as operational leasing. Obligations arising from operational leasing are accounted for on a straight-line basis in the profit and loss account, over the term of the contract, taking account of payments received from the lessor.

Extraordinary items
Extraordinary items refer to income or expenditure arising from events or transactions which belong to the operating result, but which for the sake of comparability are explained separately on the basis of the nature, size or incidental character of the item.

Financial instruments
All financial instruments reported in the balance sheet are valued at (amortised) cost.

Derivatives are initially recognised in the balance sheet at fair value, the subsequent valuation of derivative financial instruments depends on whether or not the instrument is quoted in an active market. If the underlying object of the derivative financial instrument is listed on a stock exchange, it is valued at fair value. Recognition of changes in the value of a derivative financial instrument is dependent on whether or not the instrument is designated as a hedging instrument.

VDL Nedcar B.V. applies hedge accounting. The company documents at the inception of a transaction the relationship between hedging instruments and hedged items. By means of a test, the company periodically determines the effectiveness of the hedge relationship. This may be carried out by comparing the critical characteristics of the hedge instrument with those of the covered position or by comparing the adjustment in fair value of the hedge instrument with the covered position.

At the end of 2016 there were no outstanding derivatives.

VALUATION PRINCIPLES FOR THE BALANCE SHEET

FIXED ASSETS

Tangible fixed assets

As from 1 January 2016, buildings and land used for business purposes are valued at historical cost. In this connection, use is made of the transition ruling as contained in RJ 212.8 as a result of which the current value as at 1 January 2016 was taken as the underlying principle for the historical cost. Straight-line depreciation is applied, taking account of the estimated useful life of the assets in question and any impairments. There is no depreciation on land. In the reassessment of buildings based on the transition ruling, account was taken of deferred taxation of 15%.

The other tangible fixed assets are valued at historical cost or manufacturing costs, including directly attributable costs, less straight-line depreciation, taking account of the estimated useful life and impairments.

For obligations for recovery following the end of use of the asset (dismantling costs), a provision is established. This position is built up during the lifetime of the asset in question.

Grants on investments are deducted from the historical cost or manufacturing costs of the assets to which the grants relate.

The estimated useful life per category is:

Buildings	:	33.33	years
Renovations and facilities	:	5 – 20	years
Machines and installations	:	5 – 10	years
Other fixed business assets	:	5 – 7	years

Depreciation over time is carried out on investments during the year under review. The costs for repair and maintenance are charged directly to the result.

Financial fixed assets

Participations are valued according to their share in the net asset value. In determining this value, the value of assets and liabilities and results are determined in accordance with the principles of these financial statements, in respect of those participations over which the company has predominant control. Receivables from group companies and minority participations and other financial fixed assets are valued at amortised cost price or market value, whichever is lower.

Impairment on fixed assets

On each balance sheet date, the company determines whether there are indications that a fixed asset may be subject to an extraordinary downward value adjustment. If such indications are present, the realisable value of the asset is determined. If it is not possible to determine the realisable value for the individual asset, the realisable value will be determined for the cash flow-generating unit to which the asset belongs.

An impairment occurs if the book value of an asset is higher than the realisable value; the realisable value is the higher of the market value and the operating value.

An impairment loss is directly accounted for as a loss in the profit and loss account. If it is determined that an impairment that was accounted for in the past no longer exists or has fallen in size, the increased book value for the asset in question will not be set higher than the book value that would have been determined if no impairment had been accounted for, for the asset in question.

CURRENT ASSETS

Inventories and work in progress
Inventories of raw materials and consumables are valued at purchase prices subject to the FIFO method (`first in, first out') or realisable value if lower.

The inventory of work in progress is valued at manufacturing costs or realisable value if lower.
The manufacturing costs consist of all costs relating to acquisition or manufacture, and costs incurred for bringing the inventories to their current location or their current condition. Manufacturing costs include direct salary costs and surcharges for indirect fixed and variable costs related to production, including the costs of management and staff, maintenance department and internal logistics.

The realisable value is the estimated sales price less directly attributable sales costs. In determining the realisable value, account is taken of the obsoleteness of the inventories.

Projects in progress
Projects in progress on behalf of third parties consist of the balance of realised project costs, allocated profit and, if applicable, accounted losses and already declared instalments. Projects in progress are presented individually in the balance sheet under current assets. If the item shows a credit balance, it will be presented under current liabilities.

Receivables
Receivables, including tax and prepayments and accrued income, are initially measured at fair value and subsequently at amortised cost. The fair value and amortised cost are practically equal to the nominal value. Any provisions considered necessary for bad debt risk shall be deducted. These provisions are determined on the basis of an individual assessment of the receivables.

Liquid assets
Liquid assets consist of cash at bank and in hand. Current account debts to banks are listed under debts to credit institutions under current liabilities. Liquid assets are entered at nominal value.

SHAREHOLDERS EQUITY

Revaluation reserve

The existing revaluation reserve, less any relevant (deferred) tax obligations is the consequence of the revaluation of buildings and land used for business in the period before 1 January 2016. As a consequence of the transition ruling as laid down in RJ 212.8, this revaluation reserve is released upon realisation, in other words through depreciation or sale in future periods. The realised revaluations are immediately reflected in the shareholders' equity.

The corresponding release of (deferred) tax obligations is credited to the result under the item tax on result from ordinary business operations.

PROVISIONS

General

Provisions are established for legally-enforceable or actual obligations existing on the balance sheet date, whereby an outflow of resources is probably necessary, the scale of which can be reliably estimated.

The provisions are valued at the best estimate for the amounts necessary for settling the obligations as at the balance sheet date. The provisions are valued at nominal value of the expenditure expected to be necessary for settling the obligations, unless otherwise stated.

If a third party is expected to reimburse these obligations, and if it is likely that this payment will be received upon settlement of the obligation, this payment will be deducted from the provisions.

Provision for deferred taxation

The provision for deferred taxation relates to future tax obligations arising from the differences between the valuation of the buildings according to these financial statements and the fiscal valuation of the relevant items. Deferred tax obligations are calculated according to the rate of corporate income tax and as concerns the reassessment of buildings at a cash value of 15%. The majority of this provision can be characterised as long-term.

Warranty provisions

This provision relates to possible costs to be reimbursed for products sold, if for the legal entity an obligation arises due to non-compliance with agreed quality requirements.

Dismantling provision

The provision relates to future dismantling costs for the production lines. The dismantling provision is built up during the lifetime of these production lines.

Provision for post-retirement medical health benefits

This provision consists of obligations arising from the contribution towards medical health benefits of retired former employees. The provision is built up at nominal value of the future obligations.

Provision for anniversaries

The provision for anniversaries is recorded at net present value of the expected payments during the period of employment. In calculating the provision, account is for example taken of expected salary rises and the likelihood of remaining in employment.

OTHER ASSETS AND LIABILITIES

Liabilities are initially valued at fair value. Transaction costs immediately attributable to the acquisition of liabilities are included in the valuation at initial entry in the general ledger. Following initial entry, liabilities are valued at amortised cost, namely the amount received taking account of the share premium or discount less transaction costs. The fair value and amortised costs are practically equal to the nominal value.

PRINCIPLES FOR DETERMINATION OF THE RESULT

General

The result is determined as the difference between the realisable value of goods and services provided and the costs and other expenditure over the year. Income from transactions is reported in the year in which it was realised.

REVENUE RECOGNITION

Income from the sale of goods

Income from the sale of goods is included as soon as all essential rights and risks relating to ownership of the goods have been transferred to the purchaser.

Project income and project costs

For projects in progress, the result of which can be reliably foreseen, the project income and project costs are accounted for as net turnover and costs in the profit and loss account proportionally to the performance provided as at the balance sheet date (the `Percentage of Completion’ method or PoC method).

The progress of the performance provided is determined on the basis of the project costs incurred up to the balance sheet date in relation to the estimated total project costs. If the result cannot (yet) be reliably estimated, the income is accounted for as net turnover in the profit and loss account, up to the amount of incurred project costs that can probably be recovered; the project costs are then accounted for in the profit and loss account in the period in which they are incurred. As soon as the result can be reliably determined, revenue recognition is carried out according to the PoC method, proportionally to the performance provided as at balance sheet date.

The result is determined as the difference between the project income and project costs. Project income relates to the contractually agreed income and income from additional and less work, claims and payments if and in as much as it is probable that these will be realised, and can be reliably predicted. Project costs are the costs relating directly to the project, that can generally be allocated to project activities and allocated to the project and other costs contractually attributable to the client.

If it is probable that the total project costs exceed total project income, expected losses are immediately accounted for in the profit and loss account. This loss is reported in the cost of sales. The provision for the loss is part of the item projects in progress.

Net turnover
Net turnover comprises the income from the delivery of goods and realised project income from projects in progress less discounts, etc. and any tax levied on turnover.

EMPLOYEE BENEFITS

Periodically-payable benefits
Wages, salaries and social security contributions are accounted for in the profit and loss account, on the basis of the employment conditions, in as much as payable to employees.

Pensions
VDL Nedcar B.V. has accounted for all pension schemes according to the obligations approach. The premium payable on the year under review was also accounted for as an expense.

MISCELLANEOUS

Depreciation on tangible fixed assets
Tangible fixed assets are depreciated during the expected future useful life of the asset from the moment of commissioning. There is no depreciation on land. If a change is made to estimated future useful life, future depreciation will be adjusted.

Gains and losses from the incidental sale of tangible fixed assets are included under other operating cost.

Government grants
Operating grants are accounted for as income in the profit and loss account in the year in which the granted costs were incurred or income was lost or if a grant operating shortfall occurred. The income is accounted for when it is likely that it will be received.

Grants related to investments in tangible fixed assets are deducted from the asset in question and accounted for as part of depreciation in the profit and loss account.

Interest income and interest expenses
Interest income and interest expenses are accounted for in proportion to time, taking account of the effective interest rate for the assets and liabilities in question. In accounting for the interest expenses, account is taken of the reported transaction costs on the loans received.

Tax on the result from ordinary business operations
The tax on the result is calculated on the result before tax in the profit and loss account. Account is taken of changes occurring in the deferred tax receivables and deferred tax liabilities. Tax payable on the result is offset with the head of the tax entity via the current account.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

MARKET RISK

Currency risk

VDL Nedcar B.V. operates primarily in the European Union. Practically all positions and transactions are in euros, meaning that limited currency risk is run.

Price risk

VDL Nedcar B.V. runs no noteworthy price risks.

Interest and cash flow risk

VDL Nedcar B.V. runs interest risk on the interest-bearing receivables (in particular under current assets and liquid assets) and interest-bearing current liabilities.

For receivables and liabilities with variable interest agreements, VDL Nedcar B.V. runs risks in respect of future cash flows; as concerns fixed interest receivables and liabilities, VDL Nedcar B.V. runs risks on the fair value as a consequence of changes to the market rate.

As concerns receivables, no financial derivatives are contracted in respect of interest risk.

CREDIT RISK

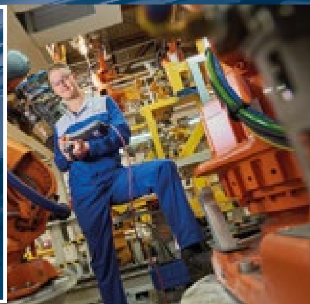
Despite the concentration of accounts receivable at a limited number of customers VDL Nedcar B.V. has no significant credit risk. Any outstanding liquid assets are with banks with at least an A-rating.

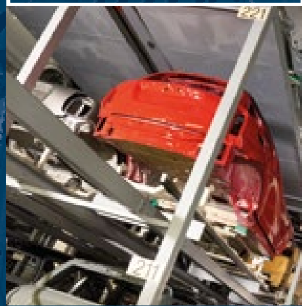
VDL Nedcar B.V. has its receivables to group companies, where no credit risk is run.

Liquidity risk

VDL Nedcar B.V. has no liquidity risk since the company has sufficient liquid assets.

NOTES





NOTES TO THE BALANCE SHEET

All amounts x € 1,000

Fixed assets

Tangible fixed assets

The statement of changes in tangible fixed assets reads as follows:

	Buildings and land	Machines and installations	Other fixed assets	Total
Book value as at 1 January 2016	131,197	83,559	13,603	228,359
Reclassification	0	-96	96	0
Investments	16,879	24,773	8,344	49,996
Disinvestments	-36	0	-2	-38
Depreciation	-6,711	-14,600	-3,394	-24,705
Book value as at 31 December 2016	141,329	93,636	18,647	253,612
The specification of the book value as at 31 December 2016 is as follows:				
Historical cost (including revaluations)	299,781	477,861	44,111	821,753
Cumulative depreciation	158,452	384,225	25,464	568,141
	141,329	93,636	18,647	253,612

Revaluations included in the purchase price for buildings and land based on transitional arrangements at year end 2016 amounted to 49,203. Under buildings and land an amount of 6,872 is attributable to assets under construction.

Financial fixed assets

	31 December 2016	31 December 2015
Participations	24	24

The statement of changes in participations reads as follows:

Position as at 1 January 2016	24
Net profit	0
Other changes	0
Position as at 31 December 2016	24

Participations	established	participation
Car Participatie Maatschappij B.V	Born	100%
VDL Nedcar Service Centrum B.V	Born	100%

	31 December 2016	31 December 2015

Current assets

Inventories and work in progress		
Raw materials and consumables	56,745	30,059
Work in progress	14,760	5,621
	71,505	35,680

The book values of the inventories valued at lower market value is zero.

Projects in progress

Since as at December 31, 2016 and December 31, 2015, pre-invoiced instalments exceeded the capitalised costs, this item was accounted for under current liabilities.

	31 December 2016	31 December 2015
Receivables		
Trade receivables	97,735	93,213
Group companies	132,814	76,879
Taxation	646	469
Other receivables and accrued income and prepayments	63	95
	231,258	170,656

On the average balance of receivables from group companies 0,5% interest is charged per year (2015: 0.85%). No agreements have been concluded on repayment and securities for such receivables.

Receivables have a term of less than one year.

Liquid assets		
Cash	0	0
Credit institutions	8,759	50,075
	8,759	50,075

The liquid assets are readily available.

Shareholders' equity

	Share capital	Premium reserve	Revaluation reserve	Other reserves	Total
Balance as at 1 January	250,010	50,000	46,089	-91,827	254,272
Result year under review	0	0	0	25,078	25,078
Change revaluation reserve	0	0	-696	696	0
Balance as at 31 December	250,010	50,000	45,393	-66,053	279,350

Share capital

The registered capital of VDL Nedcar B.V. amounts to 340,335 consisting of 750,000 shares each with a nominal value of € 453.78 of which 550,950 shares were issued and fully paid up.

	31 December 2016	31 December 2015
Provisions		
For deferred taxation	4,340	3,932
Other provisions	15,946	14,465
Balance as at 31 December	20,286	18,397

Other provisions		
Warranty provision	4,504	2,116
Dismantling provision	2,069	1,228
Provision post-retirement medical health benefit	2,421	2,786
Provision for anniversaries	5,244	5,220
Other provisions	1,708	3,115
Balance as at 31 December	15,946	14,465

Provisions developed as follows:

	Deferred taxation	Warranty provision	Dismantling provision
Balance as at 1 January	3,932	2,116	1,228
Additional charge to the result	408	2,885	841
Reduction in favour of the result	0	0	0
Payment charged to the provision	0	-497	0
Balance as at 31 December	4,340	4,504	2,069

	Post-retirement medical health benefit	Provision for anniversaries	Other provisions	Total
Balance as at 1 January	2,786	5,220	3,115	18,397
Additional charge to the result	0	839	521	5,494
Reduction in favour of the result	0	0	-1,836	-1,836
Payment charged to the provision	-365	-815	-92	-1,769
Balance as at 31 December	2,421	5,244	1,708	20,286

	31 December 2016	31 December 2015
Current liabilities		
Debts to group companies	24	271
Projects in progress	41,614	64,403
Trade payables	114,334	44,829
Taxation and social security premiums	25,898	16,987
Other liabilities and accrued expenses	83,652	85,635
	265,522	212,125

Under the trade receivables an amount of 1,795 (2015: 132) is attributable to group companies.

Over the average balance of the debts to group companies, no interest is charged. No agreements have been concluded on repayment and securities for such payables.

Current liabilities have a term of less than one year.

	31 December 2016	31 December 2015
Projects in progress		
Pre-invoiced instalments on projects in progress	306,190	197,035
Less: capitalised costs	264,576	132,632
	41,614	64,403

These balances for projects in progress can be further divided into:

- projects for which the value of the capitalised costs exceeds the invoiced instalments, in the amount of € 2.9 million and € 14.5 million and;
- projects for which the value of the invoiced instalments exceeds the value of the capitalised costs, in the amount of € 44.5 million and € 78.9 million.

OFF-BALANCE SHEET COMMITMENTS

All amounts x € 1,000

Bank guarantees

At the end of 2016 VDL Nedcar provided bank guarantees to the amount of 370.

Purchase commitments

In the framework of acquiring fixed assets and projects in progress, the company has assumed contract commitments of in total 99,242. In addition, in respect of regular production of cars, purchase commitments were entered into, covered by the end purchaser.

Liability in the event of a fiscal unity

VDL Nedcar B.V. together with VDL Groep B.V. forms a fiscal unity for corporation tax and turnover tax (VAT). On the basis of the Collection of the State Taxes Act, the company and its consolidated subsidiary are each jointly and severally liable for the tax payable by the combination.

NOTES TO THE PROFIT AND LOSS ACCOUNT

All amounts x € 1,000

	2016	2015
Invoiced sales		
Netherlands	1,355	1,527
Other countries Europe	1,366,124	909,707
Asia	0	226
America	59	2
	1,367,538	911,462
Salaries and wages		
Payroll employees	107,202	90,656
Hired-in employees	43,848	18,279
	151,050	108,935
Social security contributions		
Social security contributions and other personnel costs include the following amount for social security contributions	11,385	9,161
Pension contributions		
Social security contributions and other personnel costs include the following amount for pension contributions	8,201	7,952
Workforce		
Average number of employees (FTE)	2,086	1,928
Broken down according to position:		
Management Board	2	2
Office	646	597
Production	1,438	1,329
	2,086	1,928
Number of employees at financial year end	4,686	2,461

At the end of 2016, no employees were employed abroad (2015: 0).
The number of employees at financial year end includes interns and temporary employees.

Other operating costs

Other operating costs were negative in 2016 due to a release from the other provisions.

	2016	2015
Financial income and expenses		
Interest income and similar revenues	44	0
Interest income from group companies	533	560
Interest expenses and similar expenses	-114	-320
	463	240

Tax on result from ordinary business operations		
Result from ordinary business operations before tax	33,075	24,296
Taxation on result from ordinary business operations	7,997	5,888
Effective tax rate	24,18	24,23
Applicable tax rate	25,00	25,00

The effective tax rate differs from the applicable tax rate as a result of the effect of deferred taxation of 15% on revaluation of buildings.

Fee to group accountant

On the basis of article 2:382a paragraph 3 of the Dutch Civil Code, this statement has been left out.

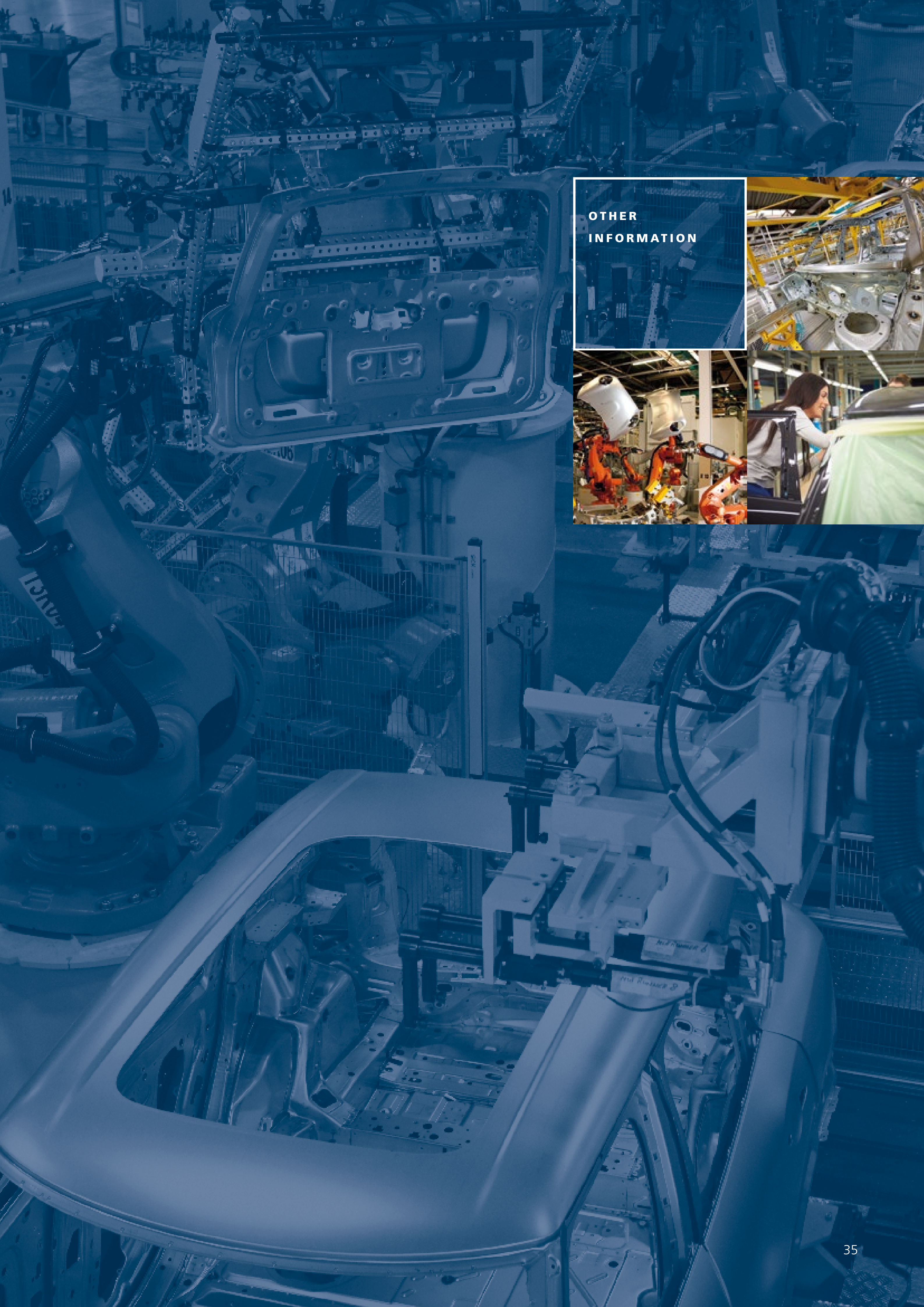
PROFIT APPROPRIATION

Profit appropriation 2016

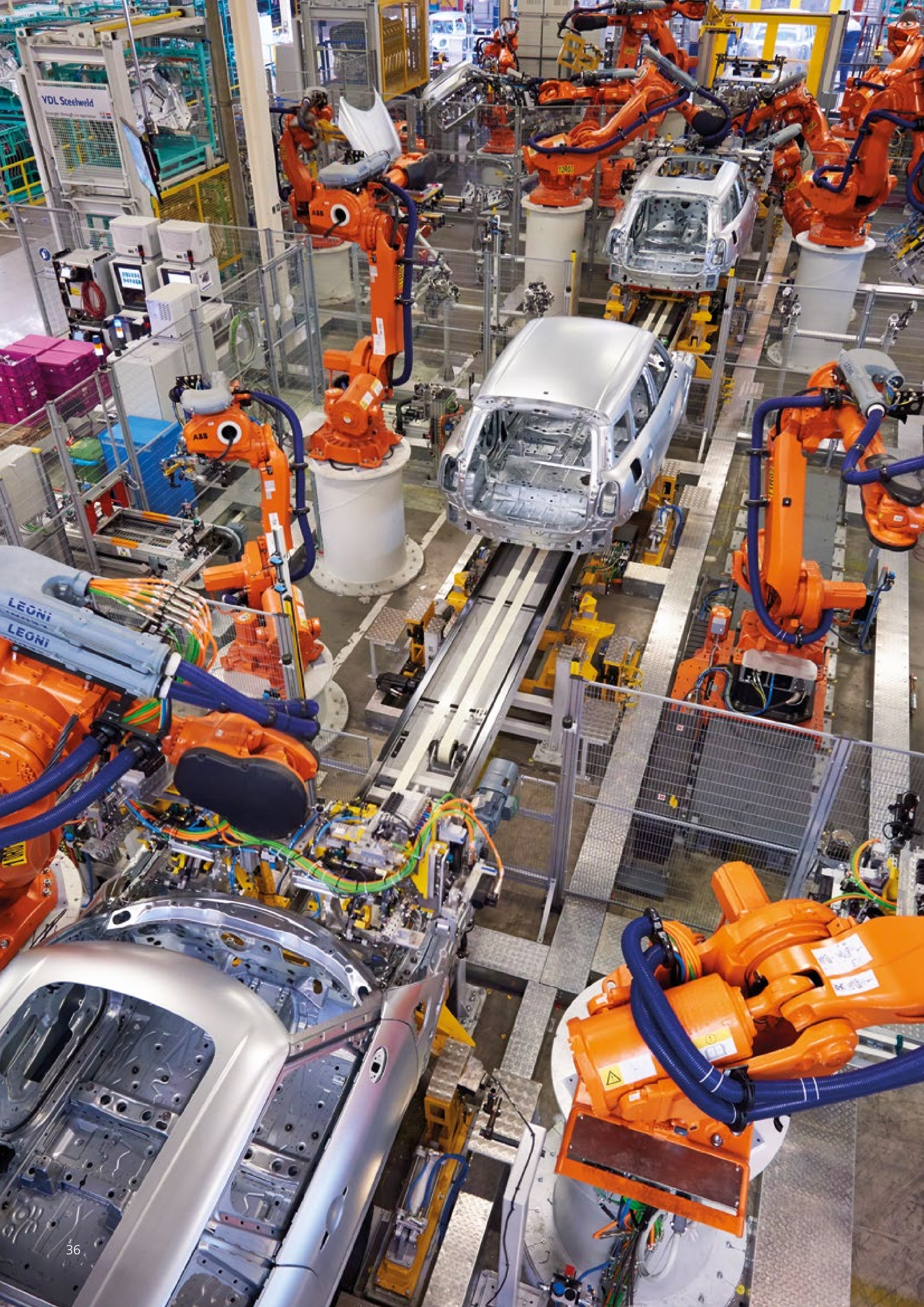
The Board proposed to add the result to the other reserves.

Approval of the financial statements

In the General Meeting of Shareholders held on 10 April 2017, the financial statements for 2016 of the company as established in Born were adopted. The appropriation of the result was carried out in accordance with the proposal from the Board.



OTHER INFORMATION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REPORT OF THE INDEPENDENT AUDITOR

To: the Shareholders and Management of VDL Nedcar B.V.

Our opinion

The summary financial statements 2016 (hereafter: ‘the summary financial statements’) of VDL Nedcar B.V., based in Born is derived from the audited financial statements 2016 of VDL Nedcar B.V..

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements 2016 of VDL Nedcar B.V., on the basis described in the related explanatory notes.

The summary financial statements comprise:

1. the summary balance sheet as at 31 December 2016;
2. the following statements for 2016:
   the summary profit and loss account and the summary cash flow statement; and
3. the related explanatory information.

Summary financial statements

The summary financial statements do not contain all the disclosures required by Part 9 of Book 2 of the Dutch Civil Code. Reading the summary financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements of VDL Nedcar B.V. and our auditor’s report thereon.

The audited financial statements and our auditor’s report thereon

We expressed an unqualified audit opinion on the audited financial statements 2016 of VDL Nedcar B.V. in our auditor’s report of 10 April 2017.

Responsibilities of management for the summary financial statements

Management is responsible for the preparation of a summary financial statements on the bases as described in the related explanatory notes.

Our responsibilities

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with Dutch law, including the Dutch Standard 810 “Engagements to report on summary financial statements”.

Eindhoven, 10 April 2017
Govers Accountants / Adviseurs

w.g. Rudi van den Heuvel MSc RA

PROVISIONS UNDER THE ARTICLES OF ASSOCIATION CONCERNING PROFIT APPROPRIATION

Article 34

1. The General Meeting of Shareholders is authorised to appropriate the profit as determined following adoption of the Financial Statements, in so far as the shareholders' equity is greater than the reserve that must be maintained in accordance with the law or articles of association.
2. A decision to distribute shall have no consequences unless approved by the Board of Directors. The Board of Directors will only refuse approval if the Board knows or can reasonably foresee that following distribution, the company will not be able to make payment of its demandable liabilities.
3. If following distribution, the company is unable to make payment of its demandable liabilities, the Directors who at the moment of distribution knew of that situation or should have reasonably foreseen it shall be jointly and severally liable to the company for the shortfall arising as a consequence of the distribution, plus statutory interest from the date of distribution. Article 2:248 paragraph 5 of the Netherlands Civil Code shall apply mutatis mutandis. Any Director who can prove that distribution by the company cannot be attributed to him, and that he was not in default in taking measures to prevent the consequences thereof, shall not be liable. Anyone who received the distribution, while he knew or reasonably should have foreseen that following distribution the company would be unable to continue making payment of its demandable liabilities, shall be required to compensate for the shortfall arising as a consequence of the distribution, each up to not more than the amount or the value of the distribution received by him, plus statutory interest from the date of distribution. If the Directors have fulfilled the claim as outlined in the first sentence, the payment to the Directors as intended in the third sentence shall be made proportionally to the share paid by each of the Directors. In respect of a liability arising from the first or third sentence, the debtor is not entitled to set off. The provisions in this paragraph shall not apply to distribution in the form of shares in the capital of the company or deposits or not fully paid-up shares.
4. Anyone who determined or co-determined the policy of the company, as if he were a Director, shall be considered equal to a Director for application of paragraph three.
5. In calculating each distribution, the shares of the company in its own capital shall not be considered.
6. In calculating the amount to be distributed on each share, only the amount of the compulsory deposits on the nominal amount of the shares shall be considered.
7. The claim to demand the adopted dividend shall expire five years following its adoption.

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