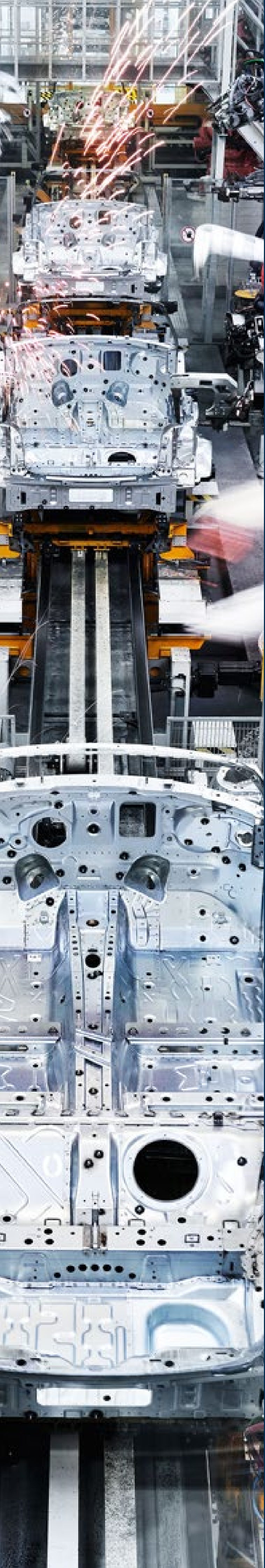

ANNUAL REPORT 2017



VDL Nedcar

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ANNUAL REPORT 2017

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 B.V., Volvo Car B.V. and Netherlands Car B.V. - 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 B.V. - has developed into an independent vehicle contract manufacturer, with BMW as its first client. It now manufactures different models for the MINI and BMW brands. The company also produces sheet metal parts for various customers.

We enable our employees to tap into their own drive and passion to produce high quality cars, on time, and with a sense of enjoyment, while constantly striving for maximum customer satisfaction both for our own clients and for the end users, the car drivers. Strength through cooperation helps us secure the future of car manufacturing in the Netherlands.

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

P. van Vuuren (Chief Executive Officer)	as of 11 December 2017
C. Bouckaert (Chief Executive Officer)	until 11 December 2017
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-14001:2004 and ISO-27001:2013.

KEY FIGURES

All financial amounts x € 1,000

	2017	2016	2015	2014	2013
Invoiced sales	2,841,219	1,367,538	911,462	767,032	94,511
Operating result	41,104	32,612	24,056	5,184	-423
Result before taxation	41,531	33,075	24,296	5,585	–
Result before taxation / sales	1.5%	2.4%	2.7%	0.7%	0.0%
Net profit	31,515	25,078	18,408	4,338	–
Net profit / sales	1.1%	1.8%	2.0%	0.6%	0.0%
Depreciation on tangible fixed assets	38,101	24,705	21,735	11,456	12,883
Cash flow	69,616	49,783	40,143	15,794	12,883
(Dis)investments tangible fixed assets	66,147	49,958	54,810	6,005	38,073
Shareholders' equity	310,865	279,350	254,272	235,864	226,418
Balance sheet total	760,590	565,158	484,794	464,170	344,435
Solvency	40.9%	49.4%	52.4%	50.8%	65.7%
Net profit / shareholders' equity	10.1%	9.0%	7.2%	1.8%	0.0%
Production volume (units)	168,969	87,609	57,019	29,196	–
Number of employees as at 31 December	6,546	4,686	2,461	2,495	1,653
Average number of payroll employees	2,515	2,086	1,928	1,657	1,486

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, after his son Wim van der Leegte had taken over the company, 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. VDL also owns the Netherlands' only passenger car factory, which performs assembly line production for third parties.

Today, VDL Groep has four specialized divisions: subcontracting, car assembly, buses & coaches and finished products. Production activities of the last-mentioned division include suspension systems, automotive factory automation, heat exchangers and container handling systems. VDL Groep innovates through a combination of professional skill, entrepreneurship, and advanced machinery and technologies. 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.

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. VDL Groep, with over 16,000 employees, operates in 19 countries. The group comprises 95 closely cooperating operating companies, each with its own speciality. The combined annual turnover in 2017 was 5.049 billion euros.


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REPORT OF THE MANAGEMENT BOARD

Review

Throughout 2017, VDL Nedcar built three different MINI models on behalf of BMW Group: the MINI Hatch, Convertible and Countryman. These models went into production in 2014, 2015 and 2016, respectively. Since March 2017, VDL Nedcar has also been producing the hybrid version of the MINI Countryman and following thorough preparation, production of the BMW X1 started in August 2017. These developments have led to a further rise in production volumes. Operating hours have been expanded to meet growing demand. The production departments are now operating according to a two or three-shift system. The size of the workforce has also grown, as a result. In short, the company is developing successfully.

On 11 December 2017, Carel Bouckaert stepped down from his position as Chief Executive Officer, to be able to focus more attention on stabilising the operational processes and ensuring maximum utilisation of the available production capacity. On that same date, Paul van Vuuren took on the role of Chief Executive Officer. Following years of new projects and solid growth, the structure of the organisation has been adjusted to respond as effectively as possible to the current challenges, including the consolidation and further development of the organisation.

During the year under review, work was carried out on increased utilisation of production capacity in the Press Shop, and contacts were maintained with potential new clients.

In addition to the existing certification for ISO/TS 16949, ISO–9001 and ISO–14001, VDL Nedcar was also awarded the ISO–27001:2013 certificate, a standard for information protection, in February 2017.

Products and production volume

In 2017, VDL Nedcar produced a total of 168,969 MINI Hatch, MINI Convertible, MINI Countryman and BMW X1 vehicles. The invoiced sales figure of € 2,841 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 from 4,686 employees on 1 January to 6,546 employees on 31 December. The number of employees with a contract of employment from VDL Nedcar rose sharply to 3,159 at year end 2017 as compared to 2,207 at year end 2016.

Result and distribution of dividend

The result after tax of € 31.5 million has been added to the shareholders’ equity. No dividend was distributed.

Use of funds

In 2017, the total value of company assets rose from € 565.2 million to € 760.6 million. Net investments amounted to € 66.1 million, while € 38.1 million was released from depreciation. This resulted in an increase of € 28.0 million in the book value of tangible fixed assets. As a result of the considerable growth in operations, current assets increased in 2017 from € 311.5 million to € 478.9 million.

Financing

The company did not make use of any external financing in 2017. During the financial year 2017 a positive cash flow of € 12.5 million was generated. Since also a positive operational cash flow is expected for 2018, no external financing will be required for that year, either. For explanatory notes regarding the financial instruments, please see the principles applied for valuation and determination of results, as stated in the annual accounts.

Risks and points for attention

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.

However, following the considerable growth over the past few years, the main focus at this time is on the stabilisation of the organisation and the consolidation of work processes, together with optimising the utilisation of available production capacity. This is an essential phase for establishing a solid basis for the further development of the company. We will also be strengthening alignment with the operations of the VDL Groep, and further emphasising the motto ‘Strength through cooperation’.

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 to spatial and permit-related aspects. To ensure this we are currently taking concrete steps together with the authorities and other relevant parties. With that in mind, together with the VDL Groep, the company has taken up strategic land positions.

Corporate social responsibility

In all its business operations, VDL Nedcar focuses specific attention on corporate social responsibility, based on the conviction that CSR is a precondition for long-term continuity. Socially responsible operation is not only demanded by our customers. It also fulfils the expectations of our workforce, our shareholder, our immediate environment and society as a whole. With that in mind, all our decisions are not based exclusively on commercial considerations. Other criteria that are clearly considered include energy saving, environmental awareness, equal treatment and ties with society. We operate according to the motto 'Proud to be First Choice!', in other words, we wish to be the proud first choice of all our stakeholders.

Management and supervision

VDL Nedcar is subject to the One-Tier Board Act. This law regulates the management and supervision in companies, including aspects such as the balanced distribution of management posts between men and women. Since the board of VDL Nedcar is limited to one natural person, it is not possible to comply with this aspect of the legislation. Management candidates at VDL Nedcar are selected based on personal capacities, without regard to gender, age, nationality or background.

Outlook

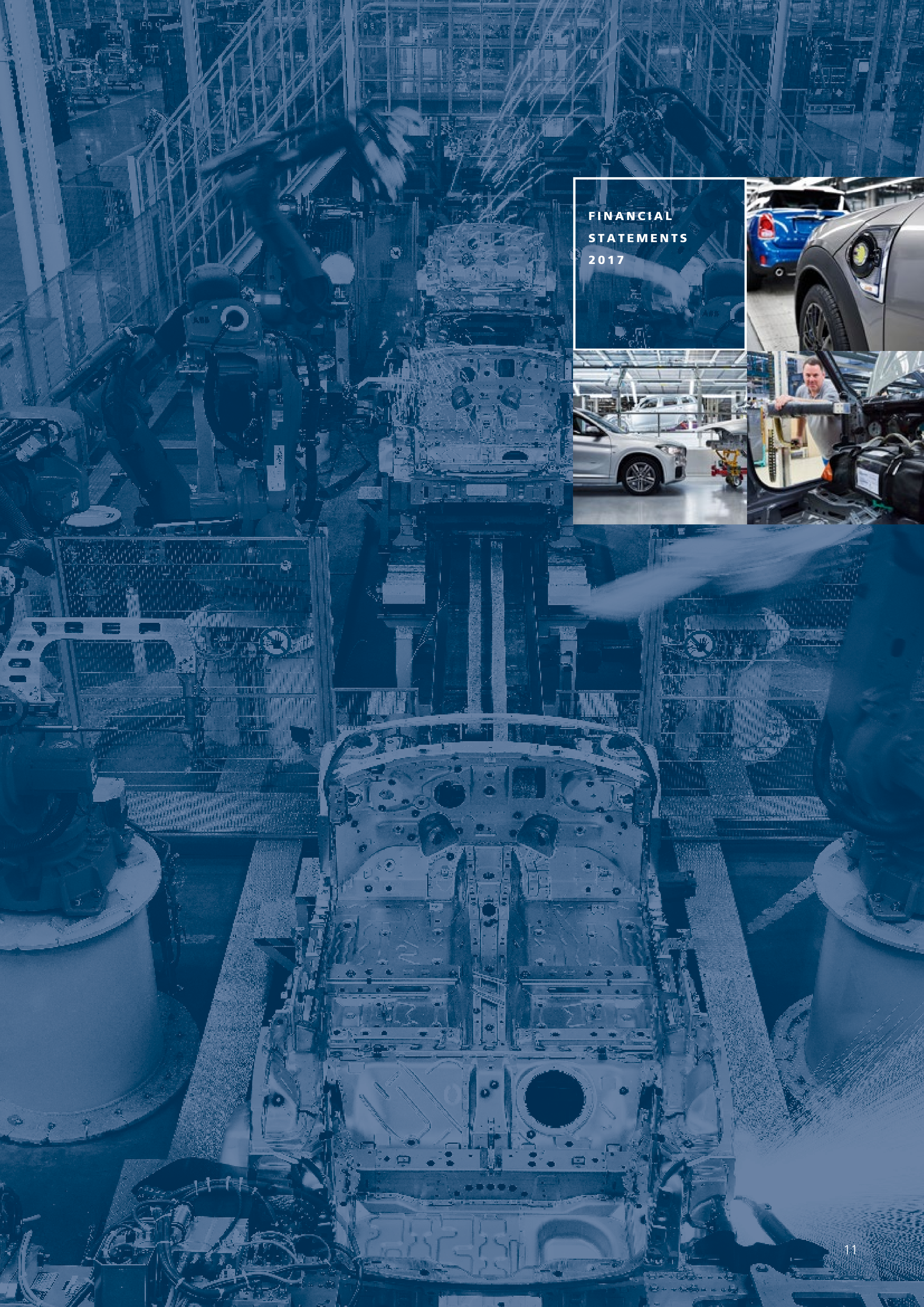
For 2018, the outlook is positive. For the first time in four years no new models will be launched in 2018. Nonetheless, we expect production volumes to increase considerably compared with 2017 which will give rise to further substantial growth in the size of the workforce. Once again in 2018, VDL Nedcar will be offering many temporary employees a contract of employment. In 2018, the level of investment will be slightly below 2017, and will be aimed specifically at strengthening operations. In 2018, we will also be celebrating the 50th anniversary of the opening of the plant.

Also for the longer term, the outlook in terms of production numbers and employment are favourable. As an independent car manufacturer, VDL Nedcar will remain flexible in relation to its customers and its response to developments in the automotive sector. 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 2017 with satisfaction. We would like to thank everyone who has played a part in achieving these results. In 2018, 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 2018, VDL Nedcar achieved a sales figure of € 927 million as compared to € 614 million in the first quarter of last year.

Sittard-Geleen (Born), 16 April 2018
The Management Board



FINANCIAL STATEMENTS 2017

BALANCE SHEET

All amounts x € 1,000

After profit appropriation

		31 December 2017		31 December 2016
ASSETS				
Fixed assets				
Tangible fixed assets		281,658		253,612
Financial fixed assets		24		24
Current assets				
Inventories and work in progress		87,475		71,505
Construction contracts		0		0
Receivables		370,127		231,258
Liquid assets		21,306		8,759
		760,590		**565,158**
LIABILITIES				
Shareholders' equity				
Share capital	250,010		250,010	
Premium reserve	50,000		50,000	
Revaluation reserves	44,697		45,393	
Other reserves	-33,842		-66,053	
		310,865		279,350
Provisions		25,847		20,286
Current liabilities		423,878		265,522
		760,590		**565,158**

PROFIT AND LOSS ACCOUNT

All amounts x € 1,000

		2017		2016
Invoiced sales		2,841,219		1,367,538
Change in construction contracts		29,200		17,567
Net sales		2,870,419		1,385,105
Mutation of work in progress		8,083		13,488
Other operating income		9,837		5,341
Total operating income		2,888,339		1,403,934
Costs of raw materials and consumables	2,347,751		1,093,357	
Costs of work contracted out	68,544		35,597	
Wages and salaries	341,615		185,427	
Depreciation on tangible fixed assets	38,101		24,705	
Other operating costs	51,224		32,236	
Total operating costs		2,847,235		1,371,322
Operating result		41,104		32,612
Financial income and expenses		427		463
Result before taxation		41,531		33,075
Taxation		-10,016		-7,997
RESULT AFTER TAXATION		**31,515**		**25,078**

CASH FLOW STATEMENT

All amounts x € 1,000

		2017		2016
Cash flow operational activities				
Operating result		41,104		32,612
Adjustments for:				
Depreciation on tangible fixed assets	38,101		24,705	
Change in provisions	5,008		1,481	
		43,109		26,186
Change in working capital:				
Inventories	-15,969		-35,825	
Construction contracts	-29,200		-22,790	
Trade receivables	-135,721		-4,522	
Other receivables	-3,148		-56,080	
Debts to trade creditors	139,503		69,505	
Other current liabilities	48,054		6,682	
		3,519		-43,030
Cash flow business operations		87,732		15,768
Interest paid / received	427		463	
Paid taxes	-9,465		-7,589	
		-9,038		-7,126
Cash flow operational activities		78,694		8,642
Cash flow investment activities				
Investments in tangible fixed assets	-66,811		-49,996	
Disinvestments tangible fixed assets	664		38	
Cash flow investment activities		-66,147		-49,958
Change to cash flow		12,547		-41,316
Liquid assets developed as follows:				
Position as at 1 January		8,759		50,075
Change in financial year		12,547		-41,316
Position as at 31 December		21,306		8,759


STILL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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, the Netherlands.

Group structure
VDL Nedcar B.V. is part of the VDL group (Groep). 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 included in the consolidated financial statements of VDL Groep B.V. The consolidated financial statements of VDL Groep B.V. are available at the office of VDL Nedcar B.V..

Estimates
In applying the principles and policies for drawing up the financial statements, the directors of VDL Nedcar B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, of the Dutch civil code, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

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 that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the company are considered to be a related party. In addition, statutory directors, other key management of VDL Nedcar B.V. or the ultimate parent company and close relatives are regarded as related parties.

Significant transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Accounting policies for the cash flow statement
The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow

statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities.

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 are prepared in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at 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 classification changes.

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 stated in the financial statements at the exchange rate on the balance sheet date.

Operational leasing
The company may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

Financial instruments
All financial instruments reported in the balance sheet are valued at (amortised) cost price.
VDL Nedcar had no derivative financial instruments.

ACCOUNTING STATEMENTS FOR THE BALANCE SHEET

FIXED ASSETS

Tangible fixed assets
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 fair value as at 1 January 2016 was taken as the underlying principle and start value of the historical cost price. Straight-line depreciation is applied, taking account of the estimated useful life of the assets in question and impairments. There is no depreciation on land. A deferred taxation of 15% was taken into account on the revaluation of buildings based on the transition ruling.

Other tangible fixed assets are valued at historical cost or production cost including directly attributable costs, less straight-line depreciation based on the expected future life and impairments.

For obligations to restore the asset after use (dismantling cost), a provision is recognised. This position is built up during the lifetime of the asset in question.

Grants on investments are deducted from the historical cost price or production cost 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 assets	:	5 – 7	years

Depreciation on investments during the year will start on the date of investment. 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 or market value, whichever is lower.

Impairment of fixed assets
On each balance sheet date, the company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined. An impairment occurs if the book value of an asset is higher then the realisable value. The realisable value is higher of the market value and the operating value.

An impairment loss is directly recognised in the income statement. If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported.

CURRENT ASSETS

Inventories and work in progress
Raw materials and consumables are valued at historical price based on the FIFO method ('first in, first out') or realisable value if lower.

Work in progress is valued at production costs or realisable value if lower. The production costs consist of all costs relating to the acquisition or production and the costs incurred in order to bring the inventories to their current location and current condition. The production costs include direct labour and fixed and variable production overheads, taking into account the costs of the operations office, the maintenance department and internal logistics.

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

Construction contracts

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

Receivables

Receivables, including tax and prepayments and accrued income, are recognised initially 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 carried at nominal value.

SHAREHOLDERS EQUITY

Revaluation reserve

The existing revaluation reserve, less any relevant (deferred) tax obligations is, the consequence of the revaluation of land and buildings 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 included 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 recognised 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. The computation of the deferred tax liabilities is based on the tax rates prevailing at the end of the reporting year and for the revaluation of the buildings the present value of 15%. The majority of this provision can be characterised as long-term.

Guarantee provision

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 jubilee benefits

The provision for jubilee benefits is measured at the present value of expected benefits payable during employment. The calculation of the provision takes the expected future salary increases and the likely stay into account.

OTHER ASSETS AND LIABILITIES

Liabilities are initially recognised at fair value. Transaction costs directly attributable to the acquisition of liabilities are included in the valuation and initial measurement. Following initial measurement, liabilities are valued at amortised cost, being the amount received, taking into account premiums or discounts, 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 charges during the year. The results on transactions are recognised in the year in which they are realised.

REVENUE RECOGNITION

Sale of goods

Revenues from the goods supplied are recognised when all significant risks and rewards in respect of the goods have been transferred to the buyer.

Project income and project costs

For construction contracts, the result of which can be measured reliably, 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 construction contracts.

Net turnover

Net turnover comprises the income from sale of goods and realised project income from construction contracts less discounts, etc. and any tax levied on turnover.

EMPLOYEE BENEFITS

Short-term employee cost
Wages, salaries and social security contributions are recognised 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. applies the liability approach for all pension schemes. The premium payable during the financial year is charged to the result.

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 the estimated future useful life, future depreciation will be adjusted.

Profits and losses from the incidental sale of tangible fixed assets are included under depreciation.

Government grants
Operating subsidies are recorded as income in the income statement in the year in which the subsidised costs were incurred or income was lost or when there was a subsidised operating deficit. Income is recognised when it is probable that it will be received.

Grants related to investments in tangible fixed assets are deducted from the asset to which they relate and recorded in the income statement as part of the depreciation costs.

Interest income and interest expenses
Interest income and interest expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

Tax on the result from ordinary business operations
Tax on the result is calculated based on the result before tax in the profit and loss account. Account is also taken of changes occurring in the deferred tax assets and deferred tax liabilities. Tax payable on the result is offset with the head of the fiscal unity 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 there is no currency risk.

Price risk
VDL Nedcar B.V. incurs no noteworthy price risks.

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

Where floating-interest loans and receivables are concerned, VDL Nedcar B.V. incurs risk regarding future cash flows; as concerns fixed interest loans and receivables, VDL Nedcar B.V. incurs risk on the fair value due to changes in the market rate of interest.

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 incurs.

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 2017	141,329	93,636	18,647	253,612
Reclassification	0	0	0	0
Investments	26,052	30,377	10,382	66,811
Disinvestments	-234	-84	-346	-664
Depreciation	-9,871	-22,792	-5,438	-38,101
Book value as at 31 December 2017	157,276	101,137	23,245	281,658
The specification of the book value as at 31 December 2017 is as follows:				
Historical cost (including revaluations)	323,696	506,447	52,232	882,375
Cumulative depreciation	166,420	405,310	28,987	600,717
	157,276	101,137	23,245	281,658

Revaluations included in the purchase price for buildings and land based on transitional arrangements at year end 2017 amounted to 48,384.

Financial fixed assets

	31 December 2017	31 December 2016
Participations	24	24

The statement of changes in participations reads as follows:

Position as at 1 January 2017	24
Net profit	0
Other changes	0
Position as at 31 December 2017	24

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

	31 December 2017	31 December 2016

Current assets

Inventories and work in progress		
Raw materials and consumables	64,631	56,745
Work in progress	22,844	14,760
	87,475	71,505

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

Construction contracts

Since as at 31 December 2017 and 31 December 2016, invoiced instalments exceeded the capitalised costs, this item was accounted for under current liabilities.

	31 December 2017	31 December 2016
Receivables		
Trade receivables	233,456	97,735
Group companies	128,927	132,814
Taxation	905	646
Other receivables and accrued income and prepayments	6,839	63
	370,127	231,258

On the average balance of receivables from group companies 0.5% interest is charged per year (2016: 0.5%).
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	21,306	8,759
	21,306	8,759

The liquid assets are readily available.

Shareholders' equity

	Share capital	Premium reserve	Revaluation reserve	Other reserves	Total
Balance as at 1 January 2017	250,010	50,000	45,393	-66,053	279,350
Result year under review	0	0	0	31,515	31,515
Change revaluation reserve	0	0	-696	696	0
Balance as at 31 December 2017	250,010	50,000	44,697	-33,842	310,865

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 2017	31 December 2016
Provisions		
For deferred taxation	4,891	4,340
Other provisions	20,956	15,946
	25,847	20,286

Other provisions		
Guarentee provision	8,775	4,504
Dismantling provision	2,930	2,069
Provision post-retirement medical health benefit	2,139	2,421
Provision for jubilee benefits	6,151	5,244
Other provisions	961	1,708
	20,956	15,946

Provisions developed as follows:

	Deferred taxation	Guarantee provision	Dismantling provision
Balance as at 1 January 2017	4,340	4,504	2,069
Additional charge to the result	551	5,620	861
Reduction in favour of the result	0	0	0
Payment charged to the provision	0	-1,349	0
Balance as at 31 December 2017	4,891	8,775	2,930

	Post-retirement medical health benefit	Provision for jubilee benefits	Other provisions	Total
Balance as at 1 January 2017	2,421	5,244	1,708	20,286
Additional charge to the result	0	983	0	8,015
Reduction in favour of the result	0	0	-669	-669
Payment charged to the provision	-282	-76	-78	-1,785
Balance as at 31 December 2017	2,139	6,151	961	25,847

	31 December 2017	31 December 2016
Current liabilities		
Debts to group companies	24	24
Construction contracts	12,413	41,614
Trade payables	253,837	114,334
Taxation and social security premiums	47,032	25,898
Other liabilities and accrued expenses	110,572	83,652
	423,878	265,522

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.
Under the trade receivables an amount of 1,713 (2016: 1,795) is attributable to group companies.

	31 December 2017	31 December 2016
Construction contracts		
Invoiced instalments on construction contracts	253,666	306,190
Less: capitalised costs	241,253	264,576
	12,413	41,614

These balances for construction contracts can be further divided into:

- contracts for which the value of the capitalised costs exceeds the invoiced instalments, in the amount of € 0.5 million and € 2.9 million and;
- contracts for which the value of the invoiced instalments exceeds the value of the capitalised costs, in the amount of € 12.9 million and € 44.5 million.

OFF-BALANCE SHEET COMMITMENTS

All amounts x € 1,000

Bank guarantees
At the end of 2017 VDL Nedcar provided bank guarantees to the amount of € 370.

Purchase commitments
In the framework of acquiring fixed assets and construction contracts, the company has assumed contract commitments of in total 29,432. 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

	2017	2016
Invoiced sales		
Netherlands	796	1,355
Other countries Europe	2,840,158	1,366,124
Asia	265	0
America	0	59
	2,841,219	1,367,538

	2017	2016
Workforce		
Average number of employees (FTE)	2,515	2,086
Broken down according to position:		
Management Board	1	2
Office	779	646
Production	1,735	1,438
	2,515	2,086
Number of employees at financial year end	6,546	4,686

The number of employees at financial year end includes interns and hired-in employees.
At the end of 2017, no employees were employed abroad (2016: 0).

	2017	2016
Financial income and expenses		
Interest income and similar revenues	151	43
Interest income from group companies	578	534
Interest expenses and similar expenses	-302	-114
	427	463

	2017	2016
Tax on result from ordinary business operations		
Result from ordinary business operations before tax	41,531	33,075
Taxation on result from ordinary business operations	10,016	7,997
Effective tax rate (%)	24.12	24.18
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 2017

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

Approval of the financial statements

In the General Meeting of Shareholders held on 16 April 2018, the financial statements for 2017 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


VDL

REPORT OF THE INDEPENDENT AUDITOR

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

Our opinion

The summary financial statements 2017 (hereafter: 'the summary financial statements') of VDL Nedcar B.V., based in Born is derived from the audited financial statements 2017 of VDL Nedcar B.V..

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements 2017 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 2017;
2. the following statements for 2017:
   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 2017 of VDL Nedcar B.V. in our auditor's report of 16 April 2018.

Responsibilities of management for the summary financial statements

Management is responsible for the preparation of the 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, 16 April 2018
Govers Accountants / Adviseurs

R.M. 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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