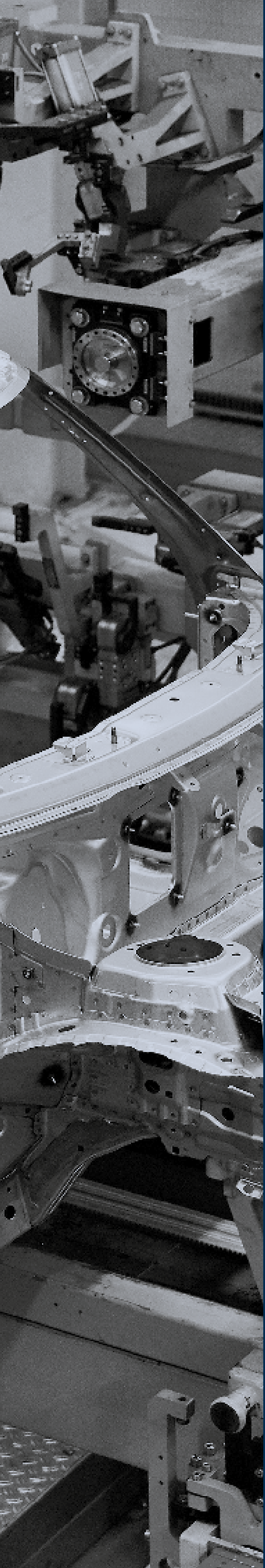
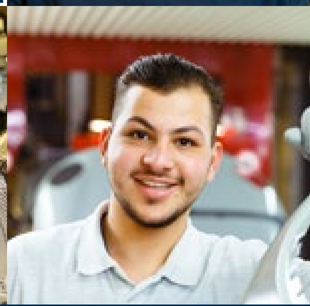


ANNUAL
REPORT 2018



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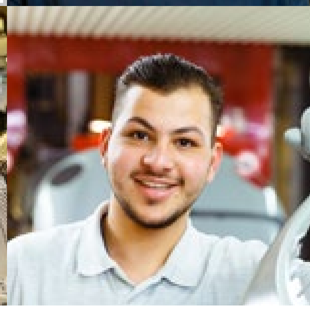


PROFILE OF VDL NEDCAR

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 the BMW Group 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
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:
IATF 16949:2016, ISO-9001:2015, ISO-14001:2015 and ISO-27001:2013.

KEY FIGURES

All financial amounts x € 1,000

	2018	2017	2016	2015	2014
Invoiced sales	3,653,405	2,841,219	1,367,538	911,462	767,032
Operating result	53,716	41,104	32,612	24,056	5,184
Result before taxation	53,923	41,531	33,075	24,296	5,585
Result before taxation / sales	1.5%	1.5%	2.4%	2.7%	0.7%
Net profit	40,776	31,515	25,078	18,408	4,338
Net profit / sales	1.1%	1.1%	1.8%	2.0%	0.6%
Depreciation on tangible fixed assets	45,802	38,101	24,705	21,735	11,456
Cash flow	86,578	69,616	49,783	40,143	15,794
(Dis)investments tangible fixed assets	27,364	66,147	49,958	54,810	6,005
Shareholders' equity	351,641	310,865	279,350	254,272	235,864
Balance sheet total	752,517	760,590	565,158	484,794	464,170
Solvency	46.7%	40.9%	49.4%	52.4%	50.8%
Net profit / shareholders' equity	11.6%	10.1%	9.0%	7.2%	1.8%
Production volume (units)	211,660	168,969	87,609	57,019	29,196
Number of employees as at 31 December	5,894	6,546	4,686	2,461	2,495
Average number of payroll employees	3,847	2,515	2,086	1,928	1,657

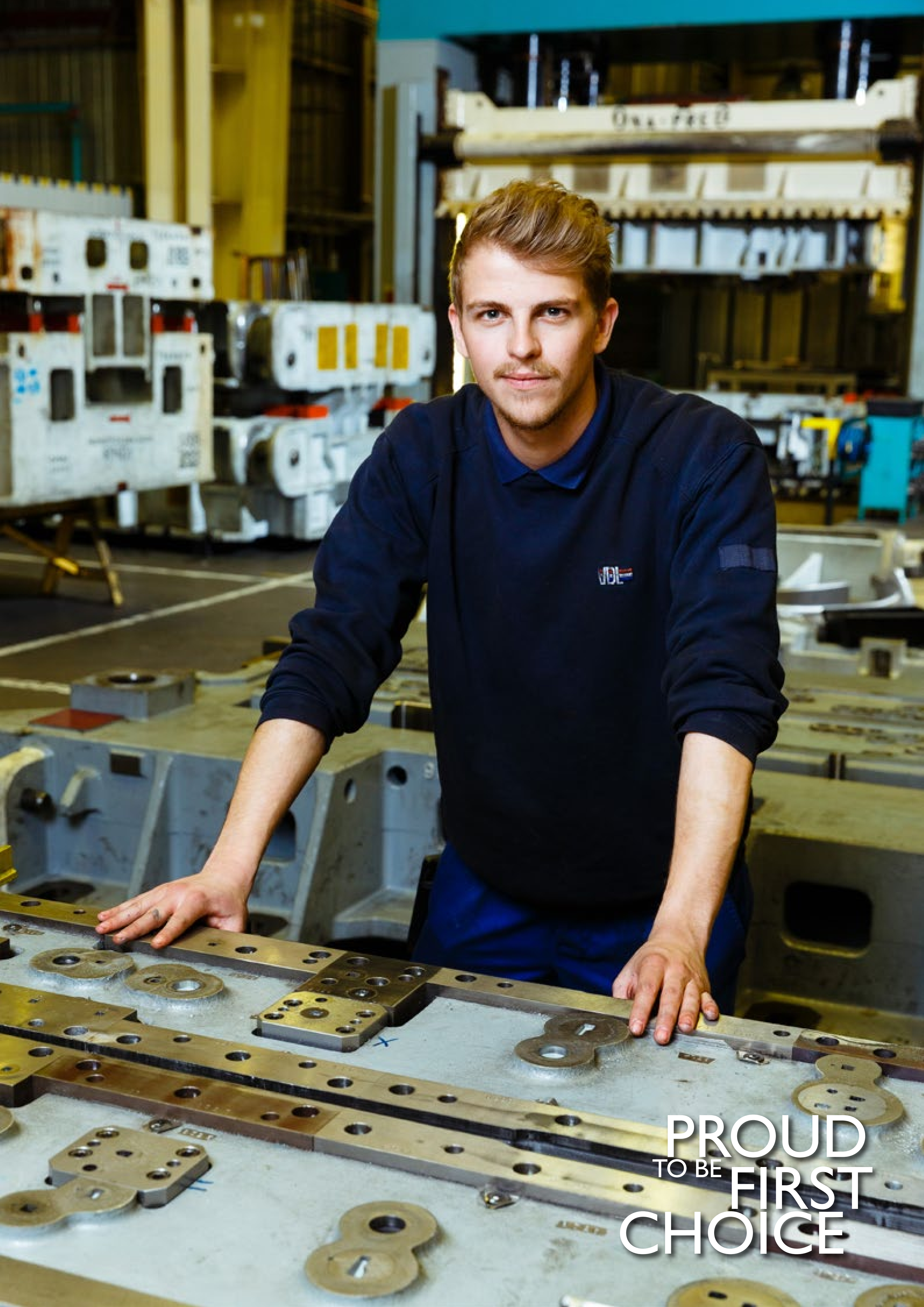
PROFILE OF VDL GROEP

Strength through cooperation. This forms the cornerstone of VDL Groep, an international industrial family business headquartered in Eindhoven, the Netherlands. The company was founded in 1953 by Pieter van der Leegte and was taken over by his son Wim van der Leegte in 1966, who subsequently expanded the company. VDL started out as a metalworking business and has grown into a group of companies engaged in various activities. Besides metalworking, the portfolio includes plastics processing, the development, production and sales of buses and coaches, and high-tech subcontracting for the semiconductor industry and others. In addition, VDL operates the only passenger car plant in the Netherlands, where serial assembly takes place for third parties. This diversity of activities has a single common denominator: the unique combination of thinking and doing, and this is what makes us stand out.

We love challenges, are open to new ideas and can switch quickly if opportunities arise. We believe that the power of achieving real success lies in the pride of the people who make the products. Together with our employees we want to perform and exceed expectations. Ensuring that our technical innovations contribute to improving the lives of people and their environment.

VDL Groep is a specialist in four divisions: Subcontracting, Car Assembly, Buses & Coaches and Finished Products. Examples of production activities from the latter division are suspension systems, the automated design of car factories, heat exchangers and container handling systems. We innovate through a combination of craftsmanship, entrepreneurship and the latest technologies. VDL combines the strength of a multinational with the flat organization and the open, informal working atmosphere of a family business where growth opportunities and continuity are given priority.

The third Van der Leegte family generation has been at the group’s helm since 2016. With approximately 17,000 employees, VDL Groep operates in 20 countries and comprises 104 operating companies, each with its own specialism, that work together intensively. In 2018 the combined annual turnover was 5.973 billion euros.


PROUD
TO BE FIRST
CHOICE

Review

2018 was the first year since the start of our collaboration with BMW Group that no new model was put into production. The further upscaling of production to a production volume of more than 200,000 vehicles represented a remarkable challenge to which we had committed ourselves in 2017, in close consultation with our workforce. As a result, 2018 turned out to be a year of many faces and considerable challenges, partly as a result of external forces.

2018 was the year that marked five years of intensive cooperation with the BMW Group, in which we produced the 500,000th car for the BMW Group, in which we celebrated our 50th anniversary and in which we passed the historical production milestone of 5 million cars. We are suitably proud of each of these milestones and of the APEAL Awards for customer satisfaction presented to us by the leading market research organisation J.D. Powers, for the MINI Countryman and BMW X1 models.

Throughout 2018, VDL Nedcar produced two different MINI models for BMW Group: the MINI Convertible and the MINI Countryman. These models went into production in 2015 and 2016, respectively. Since 2017, VDL Nedcar has also been responsible for producing the hybrid version of the MINI Countryman and in that same year, production of the BMW X1 was also started. These developments enabled the planned further rise in production volumes. For the fourth time in our history, we exceeded an annual volume of 200,000 cars built.

The steep curve that has marked our production growth since 2014 meant that our operating hours once again had to be extended in 2018. Starting in April, we extended the shift length and production was also continued on Saturdays. The rosters for the production-related departments were duly adapted. Thanks to these roster changes, that imposed considerable demands on the flexibility of our workforce, we were able to achieve the planned rise in production volume as compared with 2017. As a result, employee numbers also rose.

Products and production volume

In 2018, VDL Nedcar produced a total of 211,660 MINI Cabrio, MINI Countryman and BMW X1 vehicles (2017: 168,969). The invoiced sales figure of € 3,653 (2017: € 2,841) million was attributable primarily to the production of these vehicles.

Personnel

During the year under review, the size of the workforce grew considerably from 6,546 employees on 1 January to a peak of around 7,200 employees in the middle of the year, followed by a decrease to 5,894 employees on 31 December 2018. The peak was mainly made possible thanks to the deployment of a large number of temporary employees. Recruiting and training these employees represented a considerable challenge that we faced up to with verve, in close harmony. We will continue unabated to invest in training our workforce.

The number of employees with a VDL Nedcar contract of employment grew considerably to 4,431 at year end 2018, as compared to 3,159 at year end 2017. As compared with year end 2016 (2,207), that represents almost a doubling of the workforce with an employment contract, in just two years. This reflects the promised conversion from flexible to fixed contracts of employment.

Organisation and organisation culture

After years of new projects, the central focus in 2018 was mainly on the welfare and wellbeing of our workforce, the stabilisation of our operational processes and the continuous improvement of our production processes. During the course of the year, the consolidation and further development of the organisation increasingly took shape. We also intensified our internal and external communication. In this framework, we redefined our mission and vision. Under the heading 'Proud to be First Choice', we set to work realising the following vision:

> *Based on their drive, their passion and their pleasure we enable our employees to product high-quality cars on time. Through our flexibility we make the difference. We constantly strive for a high level of customer satisfaction, both for our customer and eventually the car driver. Based on our strength through cooperation we help secure the continuity of car manufacturing in the Netherlands.*

This mission places the employees of VDL Nedcar in first place. After all it is they who enable optimum utilisation of the available production facilities. We are working to strengthen our own organisation culture as the stepping stone to making our business futureproof. In this way, we will establish a solid foundation for the further development of the business.

Result and distribution of dividend

The result after tax of € 40,8 million has been added to the shareholders' equity. No dividend was distributed.

Use of funds

In 2018, the total value of company assets fell from € 760,6 million to € 752,5 million. Net investments amounted to € 27,4 million, while € 45,8 million was released from depreciation. This resulted in a fall of € 18,4 million in the book value of tangible fixed assets. Despite the growth in operations, current assets rose only slightly from € 478,9 million to € 489,3 million in the year under review.

Financing

The company did not make use of any external financing in 2018. During the financial year 2018, mainly as a result of the growth in operating capital and net investments, a negative cash flow of € 19,4 million was generated. Since a positive operational cash flow is expected for 2019, no external financing will be provided for that year. 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

In 2018, the automotive industry was increasingly faced with a whole raft of social, technological and macroeconomic developments. Contrary to prior expectations, car sales numbers fell in the second half of the year. The resultant dynamic effects have placed severe demands on the flexibility and creativity of all stakeholders and require heavy investments, while at the same time applying clear downward pressure on profitability in the sector. As an independent car manufacturer, VDL Nedcar will have to demonstrate an exemplary degree of flexibility, creativity and innovation. Only in that way will the company continue to deliver its added value as a Vehicle Contract Manufacturer.

Although cooperation with the BMW Group continues to be favourable, the dependency on a single client represents a strategic risk for the medium to long term. Alongside current discussions concerning follow-up orders from the BMW Group, we are striving to mitigate this risk through further acquisition. In that process, in close collaboration with VDL Groep, we will embrace the continued mobility transition as an opportunity for expressing our 'Strength through Cooperation'.

In 2018, we were confronted by dragged-out collective labour agreement negotiations. This led to too many strikes at VDL Nedcar, which in turn excessively undermined confidence in our delivery reliability. By their very nature, strikes place relationships under pressure but may never be allowed to result in permanent harm to the business. Specifically in the face of just that risk, the court in Maastricht decided to ban further strikes at the start of 2019. We are delighted with the recently concluded collective labour agreement and the resultant return of calm in labour relations.

The Brexit has also cast a forward shadow. In consultation with the BMW Group we have investigated a variety of scenarios and have defined adequate measures for the transition period, in particular with regard to a hard Brexit. These moves will mitigate the resultant risks and secure production for a period of six weeks. The long-term effects of the Brexit are currently considered less critical, and the related risks will be normally manageable.

To attract new customers and to enable the acceptance of future orders, in close cooperation with the authorities and other relevant parties, VDL Nedcar is taking steps to enlarge the physical options for expansion as regards both spatial and permit-related aspects. Together with VDL Groep, the company has therefore taken up strategic land positions that will be further expanded during the course of 2019.

Following the considerable growth achieved over the past few years, the stabilisation of the organisation and consolidation of the work processes remains vitally important. As a consequence, 2019 will once again be hallmarked by operational consolidation and continuation of the programme of cultural reinforcement. Continuous improvement is in our DNA, and will help us achieve the planned steps. Moreover, we will continue to actively work on training and strengthening the management so that now and in the future, we will be able to rely on sufficient qualified managers. All these developments are essential if we are to establish a solid basis for further development and to guarantee the future for the business.

Corporate social responsibility

In all our activities we operate according to the motto: 'Proud to be First Choice'; we wish to be the proud first choice of all our stakeholders. 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. Against that background, in 2018, VDL Nedcar signed the Limburg Energy Agreement, according to which, together with the authorities and other large enterprises, VDL Nedcar will actively participate at provincial level in the development of knowledge and innovation in the field of the energy transition, in the light of European and national climate objectives.

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

After an extraordinary record production in 2018 we expect the volume to stabilize on a high level in 2019. This obliges us to adapt the workforce, accordingly. This adjustment will mainly be achieved via the flexible layer of temporary employees and employees with a temporary contract of employment. We will continue to focus on the maximum development of our workforce and where necessary will strengthen the workforce by attracting new talents.

The level of investment in 2019 will be higher than in 2018. In addition to the planned land purchases and the related permit applications, investments in 2019 will primarily be focused on optimising the business and ensuring its futureproofness, through the further digitalisation and optimisation of our production facilities, in line with the principles of Industrie 4.0. Introducing further sustainability by improving flexibility will remain a high priority.

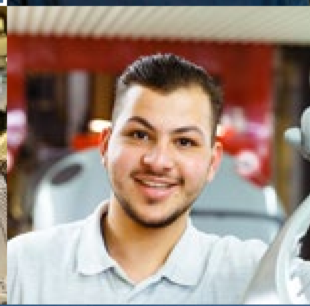
We have every confidence in the longer-term outlook as an independent car manufacturer. We will strive to optimise production volumes in relation to the continuity of employment within our company. VDL Nedcar will remain flexible in respect of to its customers and its response to developments in the automotive sector. After all, VDL Nedcar acts as a flexible capacity buffer for its customers and as such relies on its ability to rapidly respond to changing market conditions.

We can look back on the remarkably challenging year 2018 with satisfaction. We would like to express our appreciation for our workforce whose flexibility and dedication have enabled us to achieve our ambitious volume planning. We would like to thank everyone who has played a part in achieving these results. In 2019, we will continue to realise our ambitions and keep our company 50 years young. In all those efforts, we rely on the support of everyone involved in our fantastic company.

In the first quarter of 2019, VDL Nedcar achieved a sales figure of € 882 million as compared to € 927 million in the first quarter of last year.

Sittard-Geleen (Born), 15 April 2019
The Management Board

FINANCIAL STATEMENTS 2018



BALANCE SHEET

All amounts x € 1,000

After profit appropriation

		31 December 2018		31 December 2017
ASSETS				
Fixed assets				
Tangible fixed assets		263,220		281,658
Financial fixed assets		–		24
Current assets				
Inventories and work in progress		82,714		87,475
Construction contracts		0		0
Receivables		404,693		370,127
Liquid assets		1,890		21,306
		752,517		**760,590**
LIABILITIES				
Shareholders' equity				
Share capital	250,010		250,010	
Premium reserve	50,000		50,000	
Revaluation reserves	44,001		44,697	
Other reserves	7,630		-33,842	
		351,641		310,865
Provisions		31,859		25,847
Current liabilities		369,017		423,878
		752,517		**760,590**

PROFIT AND LOSS ACCOUNT

All amounts x € 1,000

		2018		2017
Invoiced sales		3,653,405		2,841,219
Change in construction contracts		10,582		29,200
Net sales		3,663,987		2,870,419
Mutation of work in progress		-3,158		8,083
Other operating income		12,240		9,837
Total operating income		3,673,069		2,888,339
Costs of raw materials and consumables	3,042,574		2,347,751	
Costs of work contracted out	94,576		68,544	
Wages and salaries	378,670		341,615	
Depreciation on tangible fixed assets	45,802		38,101	
Other operating costs	57,731		51,224	
Total operating costs		3,619,353		2,847,235
Operating result		53,716		41,104
Financial income and expenses		207		427
Result before taxation		53,923		41,531
Taxation		-13,147		-10,016
RESULT AFTER TAXATION		**40,776**		**31,515**

CASH FLOW STATEMENT

All amounts x € 1,000

		2018		2017
Cash flow operational activities				
Operating result		53,716		41,104
Adjustments for:				
Depreciation on tangible fixed assets	45,802		38,101	
Change in provisions	5,511		5,008	
Impairment of financial fixed assets	24		–	
		51,337		43,109
Change in working capital:				
Inventories	4,761		-15,969	
Construction contracts	-10,582		-29,200	
Trade receivables	-6,764		-135,721	
Other receivables	-27,802		-3,148	
Debts to trade creditors	-34,228		139,503	
Other current liabilities	-10,051		48,054	
		-84,666		3,519
Cash flow business operations		20,387		87,732
Interest paid / received	207		427	
Paid income taxes	-12,646		-9,465	
		-12,439		-9,038
Cash flow operational activities		7,948		78,694
Cash flow investment activities				
Investments in tangible fixed assets	-27,916		-66,811	
Disinvestments tangible fixed assets	552		664	
Cash flow investment activities		-27,364		-66,147
Change to cash flow		-19,416		12,547
Liquid assets developed as follows:				
Position as at 1 January		21,306		8,759
Change in financial year		-19,416		12,547
Position as at 31 December		1,890		21,306

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. The participations are liquidated in 2018.

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 transaction 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, and are mainly longterm, 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%.

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 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.

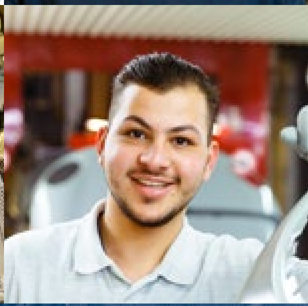
CREDIT RISK

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 2018	157,276	101,137	23,245	281,658
Investments	7,459	12,368	8,089	27,916
Disinvestments	–	-44	-508	-552
Depreciation	-12,001	-26,919	-6,882	-45,802
Book value as at 31 December 2018	152,734	86,542	23,944	263,220
The specification of the book value as at 31 December 2018 is as follows:				
Historical cost (including revaluations)	330,332	518,431	59,499	908,262
Cumulative depreciation	177,598	431,889	35,555	645,042
	152,734	86,542	23,944	263,220

Revaluations included in the purchase price for buildings and land based on transitional arrangements at year end 2018 amounted to 47,566 (2017: 48,384).

Financial fixed assets

	31 December 2018	31 December 2017
Participations	–	24

The statement of changes in participations reads as follows:

Position as at 1 January 2018	24
Net profit	–
Liquidation	-24
Position as at 31 December 2018	–

	31 December 2018	31 December 2017

Current assets

Inventories and work in progress

	31 December 2018	31 December 2017
Raw materials and consumables	63,028	64,631
Work in progress	19,686	22,844
	82,714	87,475

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

Construction contracts

Since as at 31 December 2018 and 31 December 2017, invoiced instalments exceeded the capitalised costs, this item was accounted for under current liabilities.

	31 December 2018	31 December 2017
Receivables		
Trade receivables	240,220	233,456
Group companies	142,727	128,927
Taxation	747	905
Other receivables and accrued income and prepayments	20,999	6,839
	404,693	370,127

On the average balance of receivables from group companies 0.5% interest is charged per year (2017: 0.5%). No agreements have been concluded on repayment and securities for such receivables. Receivables have a term of less than one year. Under the trade receivables an amount of 270 (2017: nill) is attributable to group companies.

Liquid assets		
Cash	–	–
Credit institutions	1,890	21,306
	1,890	21,306

The liquid assets are readily available.

Shareholders' equity

	Share capital	Premium reserve	Revaluation reserve	Other reserves	Total
Balance as at 1 January 2018	250,010	50,000	44,697	-33,842	310,865
Result year under review	–	–	–	40,776	40,776
Change revaluation reserve	–	–	-696	696	–
Balance as at 31 December 2018	250,010	50,000	44,001	7,630	351,641

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 2018	31 December 2017
Provisions		
For deferred taxation	5,392	4,891
Other provisions	26,467	20,956
	31,859	25,847
Other provisions		
Guarentee provision	12,779	8,775
Dismantling provision	3,880	2,930
Provision post-retirement medical health benefit	2,288	2,139
Provision for jubilee benefits	6,852	6,151
Other provisions	668	961
	26,467	20,956

Provisions developed as follows:

	Deferred taxation	Guarantee provision	Dismantling provision
Balance as at 1 January 2018	4,891	8,775	2,930
Additional charge to the result	501	6,547	950
Reduction in favour of the result	–	-408	–
Payment charged to the provision	–	-2,135	–
Balance as at 31 December 2018	5,392	12,779	3,880

	Post-retirement medical health benefit	Provision for jubilee benefits	Other provisions	Total
Balance as at 1 January 2018	2,139	6,151	961	25,847
Additional charge to the result	446	1,003	–	9,447
Reduction in favour of the result	–	–	-214	-622
Payment charged to the provision	-297	-302	-79	-2,813
Balance as at 31 December 2018	2,288	6,852	668	31,859

	31 December 2018	31 December 2017
Current liabilities		
Debts to group companies	–	24
Construction contracts	1,831	12,413
Trade payables	219,609	253,837
Taxation and social security premiums	49,635	47,032
Other liabilities and accrued expenses	97,942	110,572
	369,017	423,878

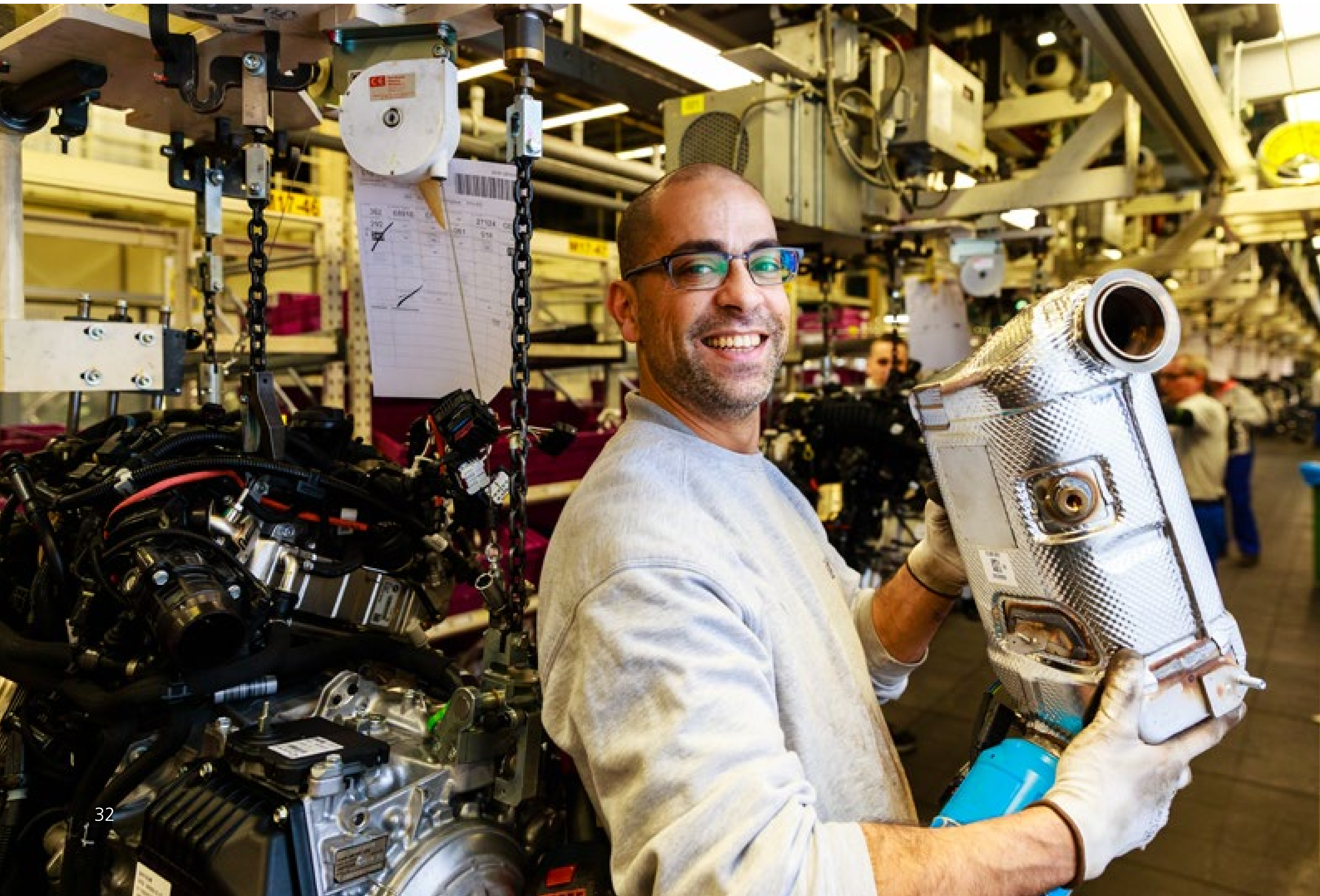
Over the average balance of the debts to group companies, no interest is charged. No agreements have been concluded on repayment and securities for such payables.

Current liabilities have a term of less than one year.
Under the trade payables an amount of 597 (2017: 1,713) is attributable to group companies.

	31 December 2018	31 December 2017
Construction contracts		
Invoiced instalments on construction contracts	7,846	253,666
Less: capitalised costs	6,015	241,253
	1,831	12,413

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 € 0,0 million and € 0,5 million and;
- contracts for which the value of the invoiced instalments exceeds the value of the capitalised costs, in the amount of € 1,8 million and € 12,9 million.



NOTES TO THE PROFIT AND LOSS ACCOUNT

All amounts x € 1,000

	2018	2017
Invoiced sales		
Netherlands	351	796
Other countries Europe	3,652,786	2,840,158
Asia	268	265
	3,653,405	2,841,219

Workforce		
Average number of employees (FTE)	3,847	2,515

Broken down according to position:		
Management Board	1	1
Office	802	779
Production	3,044	1,735
	3,847	2,515
Number of employees at financial year end	5,894	6,546

The number of employees at financial year end includes interns and hired-in employees. At the end of 2018, no employees were employed abroad (2017: 0).

	2018	2017
Financial income and expenses		
Interest income and similar revenues	22	151
Interest income from group companies	615	578
Interest expenses and similar expenses	-430	-302
	207	427

Tax on result from ordinary business operations		
Result from ordinary business operations before tax	53,923	41,531
Taxation on result from ordinary business operations	13,147	10,016
Effective tax rate (%)	24.38	24.12
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 2018

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

Approval of the financial statements

In the General Meeting of Shareholders held on 15 April 2019, the financial statements for 2018 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


JUNGHEINRICH
XSH 7655
BMW

REPORT OF THE INDEPENDENT AUDITOR

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

Our opinion
The summary financial statements 2018 (hereafter: 'the summary financial statements') of VDL Nedcar B.V., based in Born is derived from the audited financial statements 2018 of VDL Nedcar B.V..

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements 2018 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 2018;
2. the following statements for 2018:
   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 2018 of VDL Nedcar B.V. in our auditor's report of 15 April 2019.

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, 15 April 2019
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.

VDL Nedcar B.V.
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