

ANNUAL REPORT

2021



STRENGTH THROUGH COOPERATION

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CREATING
TOMORROW
TODAY”

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 Personenautofabriek 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 15 April 2019. The company is entered in the Trade Register of the Chamber of Commerce and Industry for Zuid-Limburg in Roermond, under number 14027374.

Statutory directors

J. van Soerland (Chief Executive Officer)
as of 1 February 2021
P. van Vuuren (Chief Executive Officer)
till 1 February 2021
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, ISO-45001:2018 and TISAX.



KEY FIGURES

All financial amounts x € 1,000

	2021	2020	2019	2018	2017
Invoiced sales	2,050,505	2,320,243	3,084,752	3,653,405	2,841,219
Operating result	160,673	49,585	44,711	53,716	41,104
Result before taxation	161,996	50,793	45,341	53,923	41,531
Result before taxation / sales	7.9%	2.2%	1.5%	1.5%	1.5%
Net profit	121,754	35,318	34,353	40,776	31,515
Net profit / sales	5.9%	1.5%	1.1%	1.1%	1.1%
Depreciation on tangible fixed assets	34,189	46,165	48,271	45,802	38,101
Cash flow	155,943	81,483	82,624	86,578	69,616
(Dis)investments tangible fixed assets	20,930	31,059	23,508	27,364	66,147
Shareholders' equity	543,066	421,312	385,994	351,641	310,865
Balance sheet total	979,834	749,927	673,781	752,517	760,590
Solvency	55.4%	56.2%	57.3%	46.7%	40.9%
Net profit / shareholders' equity	22.4%	8.4%	8.9%	11.6%	10.1%
Production volume (units)	105,214	125,666	174,097	211,660	168,969
Number of employees as at 31 December	4,255	4,646	4,951	5,894	6,546
Average number of payroll employees	3,501	3,881	4,227	3,847	2,515



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Waiting for next body...

VDL

VDL



PROFILE OF VDL GROEP

At VDL Groep, we believe that the strength of achieving real success lies in the pride of the personnel who make our products. Our curiosity motivates and inspires us to always strive for the best. We ensure that we continue to spark the imagination and develop high-tech innovations that improve everyone's wellbeing and prosperity. With a drive to excel, for now and for future generations.

VDL Groep develops and produces a wide variety of industrial products, from parts to advanced finished products. Our activities can be summarised in the 'five worlds of VDL': Science Technology & Health, Mobility, Energy & Sustainability, Infratech and Foodtech. Each of these 'worlds' has its own characteristics and challenges, with one common denominator: a unique combination of thinking and doing. This sets us apart.

As a family business founded in 1953, we cherish the values of workmanship, deliberateness and cooperation. Our employees are our organisation's greatest asset – they enable us to make the difference. By working together closely and combining workmanship with innovation, we inspire to make change happen. We are aware that the decisions we make today will affect the world of tomorrow. Together with our personnel and partners, we can make a difference today for a better world tomorrow.

VDL Groep has over 15,000 employees and is active in 19 countries. The group encompasses over 100 closely cooperating operating companies, each with its own specialism. In 2021, VDL Groep achieved a combined annual turnover of €5 billion.

We stand for strength through cooperation.

REPORT OF THE MANAGEMENT BOARD

Review

The decline in production volumes experienced in 2019 persisted in 2020, primarily due to lower sales caused by the corona pandemic and various uncertainties in the automotive sector. As expected also in 2021, disruptions in the supply chain hampered a recovery of production volumes. The global shortage of semiconductors faced by all car manufacturers resulted in a reduction of production days at VDL Nedcar in 2021. In spite of this, in April 2021, VDL Nedcar delivered the 900,000th car since the start of our partnership with BMW. Even with all the turbulence we experienced, we amply met the targets set in terms of quality, delivery reliability and flexibility. BMW once again expressed its appreciation for our efforts in this regard.

In accordance with the announcement in 2020 in 2021 we restructured the organisation, in part due to lower volumes and in part to prepare VDL Nedcar for other clients. As part of the restructuring, the organisation structure was adjusted and the number of indirect employees was reduced. The restructuring was implemented in accordance with a social plan agreed upon with the trade unions.

Investments in 2021 were relatively limited in view of the insufficient clarity about future vehicle projects. Nevertheless, in anticipation of such projects we invested in our ERP system, in the sustainability of business operations, the expansion of some production halls and in possibilities for scaling up the factory.

Products and production volume

In 2021, VDL Nedcar produced a total of 105,214 (2020: 125,666) vehicles. During 2021, VDL Nedcar manufactured the MINI Convertible, Countryman, Countryman-PHEV and the BMW X1 for BMW Group. The invoiced turnover of €2.05 billion (2020: €2.32 billion) was primarily attributable to the production of these vehicles. VDL Groep has made use of the Dutch government's Emergency Bridging Measure for

Sustained Employment (NOW) to offset its loss of revenue. This has made it possible for the company to safeguard employment during production stoppage. As a result, the financial impact of the corona crisis was limited.

Employees

A major added value of a Vehicle Contract Manufacturer, like VDL Nedcar, is the flexibility it offers its clients, both in terms of changing production volumes and model ranges. The ability to respond to our clients' demand is a condition for securing our future. For example, in 2021 we once again had to adjust our workforce to match production plans. The total number of employees fell from 4,646 (year-end 2020) to 4,255 (year-end 2021); the number of employees with a VDL Nedcar employment contract decreased from 3,814 (year-end 2020) to 3,334 at the end of 2021.

Board of Management

Paul van Vuuren stepped down as Chief Executive Officer on 1 February 2021. We owe him much gratitude for his efforts on behalf of the company. John van Soerland succeeded him on the same date.

Information Security

Information security requires our full attention. Alongside many other organisations, VDL Groep was also hit by a cyber-attack in October 2021. The consequences of this attack were limited for VDL Nedcar. Just before the attack, VDL Nedcar was the first company in the Netherlands to successfully go through a TISAX audit. This new label for the automotive industry promotes the adoption of a sound information security policy and imposes strict standards for sharing information between producer and suppliers. Information security will continue to demand ongoing attention in the future, not only in terms of the technical environment, but also in terms of knowledge, awareness and behaviour.

Result and distribution of dividend

The after-tax result amounted to €121.8 million (2020: €35.3 million). This figure to a large extent was impacted by the arrangement made with BMW in the context of the cancellation of a production contract and to a lesser extent by the Dutch government's NOW scheme. The result has been added to shareholders' equity. No dividend was distributed.

Use of funds

In 2021, the balance sheet total increased from €749.9 million to €979.8 million. Net investments amounted to €20.9 million while a total of €34.2 million was released from depreciation. This resulted in a decrease in the book value of tangible fixed assets of €13.3 million. Despite the decrease in production volume, current assets increased during the year under review from €526.6 million to €769.7 million. This was primarily due to an increase in trade receivables (BMW) and the intercompany receivable due from VDL Groep. The result added to shareholders' equity combined with the increased balance sheet total resulted in a change in solvency from 56.2% (year-end 2020) to 55.4% at the end of 2021.

Financing

The company did not make any use of external financing in 2021. On balance, the operational cash flow for the 2021 financial year was highly positive. Since a positive operating cash flow is expected for 2022, we do not expect to call on external financing in 2022. An explanatory note regarding the financial instruments is included in the accounting principles as stated in the financial statements.

For additional quantitative data for the 2021 financial year see the Key Figures on page 5.

Continuity

In June 2020, BMW informed VDL Nedcar of its intent to cancel the production contract signed in 2019. In May 2021,

BMW and VDL Nedcar signed an agreement that sets out the conditions for this cancellation. Part of this agreement stipulates that BMW will pay VDL Nedcar an amount in compensation over a period until the end of production. Part of this compensation pertains to the production of the volumes requested by BMW up to the end of October 2023. In the course of 2023, when the current agreements are due to expire, VDL Nedcar's car production for BMW Group will come to an end.

This is why finding new clients over the shortest possible timeframe is of extreme importance. Starting in mid-2020, we considerably intensified our market research, marketing and acquisitions efforts. As a result, VDL Nedcar was prominently present at the Munich International Auto Show and has had intensive contact with multiple potential clients. In June, we announced that VDL Nedcar would build vehicles for the American start-up Canoo. However, in mid-December we jointly decided not to further pursue this partnership. At the end of 2021, we informed our employees that we were engaged in talks with the American company Rivian about cooperating on various fronts. These talks are ongoing.

Vision and Strategy

In all our activities we operate under the motto: 'Proud to be First Choice!'; we aim to be the first choice for all our stakeholders, by making them and us proud. With this motto we work on realising the following vision:

Based on their drive, passion and job satisfaction, we enable our employees to produce 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 client and ultimately the car driver. Based on our strength through cooperation we help secure the continuity of car manufacturing in the Netherlands.



At the same time we continued working on our strategy to secure our position as an independent car manufacturer in the Netherlands and continue to implement this strategy. Based on the following three strategic pillars, we are working on securing our position in the long term: operational excellence, flexibility and process innovation.

These three pillars moreover do not prevent us from continuing to work on good employment practices based on our culture and leadership programme. After all, it is our employees who make sure that we deliver high-quality cars on time. We therefore specifically invest in working conditions and training. Our strategy continues to be based on 'employees first'.

Risks and areas for attention

The automotive industry is faced with a wide range of social, technological and macroeconomic developments. The coronavirus and the scarcity of specific components had a noticeable impact on car sales and the production chain. These influencing factors continue to be perceptible. The war in Ukraine has further exacerbated these factors.

All this makes it extremely difficult to estimate volume trends. The accompanying dynamics are putting pressure on the creativity and flexibility of all stakeholders. Profitability in the sector is clearly under pressure. As an independent car manufacturer, VDL Nedcar will have to be particularly creative, flexible and innovative if it is to be able to continue to deliver added value.

Since the partnership with BMW Group will come to an end by the end of 2023, finding new clients over the shortest possible timeframe is essential. Acquisition efforts have been significantly intensified for this purpose. The current situation furthermore emphasises the importance of limiting dependence on a single client. This is why our acquisition efforts are focused on contracting multiple new clients.

To facilitate production for multiple clients, we are making the necessary preparations that will enable us to upscale our production capacity and flexibility. We are working in close cooperation with government authorities in a planning, as well as licensing context to enable us to significantly enlarge our production facilities.



In 2021, five parties lodged an appeal against the provincial government-imposed zoning plan amendment and the related licenses adopted in December 2020.

By amicable agreement, a solution to their objections was developed jointly with these parties and the appeals were subsequently withdrawn. The government-imposed zoning plan amendment and the associated licenses have since become irrevocable as a result.

VDL Nedcar, together with VDL Groep, has secured virtually all lands required for expansion. Nature compensation measures in the proximity of the plant have largely been realised. This includes planting a newly forested area, creating fruit tree orchards and herbal grasslands, and replanting approximately 60 large trees. In addition, VDL Nedcar is making a financial contribution to the development of new ecological features in the plant's wider surroundings.

Corporate Social Responsibility

VDL Nedcar pays specific attention to corporate social responsibility in its business operations. It considers this a prerequisite for ensuring its long-term continuity. Our clients, employees, shareholder, our immediate environment and society as a whole have a right to expect us to operate in

socially responsible ways. With that in mind, our decisions are not only based on commercial considerations alone. Other criteria that are also clearly considered include energy efficiency, environmental awareness, equal treatment and ties with society.

Sustainability is an integral part of our business operations. We as much as possible limit the impact of our actions on the environment and, where technically and economically responsible, opt for sustainable solutions. In recent years we have implemented several initiatives with regard to sustainability and the environment, and will continue to do so. Many challenges remain to be addressed on the path towards meeting the Netherlands's ambitious climate targets. In 2030, greenhouse gas emissions must have decreased by 49% in comparison to the reference year 1990. This requires drastic adjustments to our energy system. Energy savings and efficiency are a logical first step in the context of achieving sustainability and reducing CO2 emissions. The studies carried out for this purpose point to various possibilities. For example, we have started to install solar panels on the roofs of our production buildings. By year end 2022, a peak capacity of 7.5 MW with an annual yield of approximately 6.7 GWH will have been installed. In addition, a considerable boost in the external power supply will also be required.

Outlook

We expect 2022 to be another turbulent year. The supply of parts and car sales are severely affected by the war in Ukraine, the aftermath of the corona pandemic and other uncertainties in the automotive industry. Stable production plans are not to be expected. In the first three months of 2022, several production days were already lost due to supply problems.

The number of cars to be produced and net turnover will be under pressure. We expect the pretax profit to be lower this year. Our ability to adapt will be severely put to the test. We currently estimate our level of investment at a minimum of 25 million euros for 2022, aside from investments for new clients.

In spite of all uncertainties we remain optimistic about the long-term car production prospects in Born, the Netherlands. At all times VDL Nedcar has demonstrated its ability to position itself flexibly in support of its clients and to respond to the dynamics of the automotive sector. After all, we function as a flexible capacity buffer for our clients. Our strength is our ability to respond rapidly to changing conditions.

On the one hand we look back on a hectic 2021 with satisfaction and pride and we thank our employees for their resilience, efforts and professionalism. We also thank all external parties for their efforts on behalf of VDL Nedcar. At the same time we will have to cope with the external uncertainties we are confronted with in our business operations. Furthermore, in light of the approaching end of our partnership with BMW Group, we are acutely aware of the necessity to do everything in our power to secure VDL Nedcar's future over the long term. In 2022, we will continue to build on the future of our company. In this respect, we are grateful to be able to rely on the support of everyone involved in our company.

Sittard-Geleen (Born), 6 July 2022
The Management Board





BALANCE SHEET

All amounts x € 1,000

After profit appropriation

31 December
2021

31 December
2020

ASSETS

Fixed assets

Tangible fixed assets	210,092	223,351
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Current assets

Inventories and work in progress	78,929	76,509
Receivables	689,937	449,046
Cash and cash equivalents	876	1,021
	979,834	749,927

LIABILITIES

Shareholders' equity

Share capital	250,010	250,010
Share premium	50,000	50,000
Revaluation reserves	41,913	42,609
Other reserves	201,143	78,693
	543,066	421,312

Provisions

21,502	42,404
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Current liabilities

415,266	286,211
979,834	749,927



PROFIT AND LOSS ACCOUNT

All amounts x € 1,000

	2021	2020
Invoiced sales	2,050,505	2,320,243
Change in construction contracts	-11,432	1,766
Net sales	2,039,073	2,322,009
Change in work in progress	4,878	-8,434
Other operating income	91,922	46,474
Total operating income	2,135,873	2,360,049
Costs of raw materials and consumables	1,582,155	1,873,864
Costs of work contracted out	42,728	48,407
Wages and salaries	266,315	298,356
Depreciation on tangible fixed assets	34,189	46,165
Other operating costs	49,813	43,672
Total operating costs	1,975,200	2,310,464
Operating result	160,673	49,585
Financial income and expenses	1,323	1,208
Result before taxation	161,996	50,793
Taxation	-40,242	-15,475
RESULT AFTER TAXATION	121,754	35,318



CASH FLOW STATEMENT

All amounts x € 1,000

		2021	2020
Cash flow operational activities			
Operating result		160,673	49,585
Adjustments for:			
Depreciation on tangible fixed assets	34,189	46,165	
Change in provisions	-21,287	8,971	
		12,902	55,136
Change in working capital:			
Inventories	-2,420	6,891	
Construction contracts	11,432	-1,766	
Trade receivables	-151,695	132,962	
Other receivables	-89,196	-231,105	
Debts to trade creditors	47,579	-9,733	
Other current liabilities	70,044	47,521	
		-114,256	-55,230
Cash flow business operations		59,319	49,491
Interest paid / received	1,323	1,208	
Paid income taxes	-39,857	-19,640	
		-38,534	-18,432
Cash flow operational activities		20,785	31,059
Cash flow investment activities			
Investments in tangible fixed assets	-21,363	-31,218	
Disinvestments tangible fixed assets	433	159	
Cash flow investment activities		-20,930	-31,059
Change to cash flow		-145	0
Cash and cash equivalents developed as follows:			
Position as at 1 January		1,021	1,021
Change in financial year		-145	0
Position as at 31 December		876	1,021





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.

Going Concern

Due to the ending of the client relationship with BMW, at this time the only client of VDL Nedcar BV, the car production for BMW will come an end at the end of 2023 with the expiration of the production contract. In May 2021, BMW and VDL Nedcar signed an agreement that sets out the conditions for this cancellation. Part of this agreement stipulates BMW will pay VDL Nedcar an amount in compensation over a period until the end of production. Part of this compensation pertains to the production of the volumes requested by BMW up to the end of October 2023. Due to the continuous production contract up to and including 2023, the ability of the entity to continue as a going concern is not at stake.

Maximum effort is put in the search for new clients. Starting in mid-2020, we considerably intensified our market research, marketing and acquisition efforts. As a result, VDL Nedcar was prominently present at the Munich International Auto Show and has had intensive contact with multiple potential clients. In June, we announced that VDL Nedcar would build vehicles for the American start-up Canoo. However, in mid-December we jointly decided not to further pursue this partnership. At the end of 2021, we informed our employees that we were engaged in talks with the American company Rivian about cooperating on various fronts. These talks are ongoing.

Notwithstanding all uncertainties we keep optimistic considering the long term prospects of car production in Born. VDL Nedcar has proven itself flexible at all times, for her clients and to adapt to the dynamics of the automotive sector. After all, we are a flexible capacity buffer for our clients. It is our strength to adapt expeditiously to changing circumstances.

Taking into account the current liquidity- and solvency we are confident, at the moment of approval of the financial statements, VDL Nedcar B.V. has sufficient reserves at her disposal to remain operational in the near future. Therefore the financial statements have been drafted under the assumption of going concern. VDL Nedcar identifies no grounds to presume the discontinuation of her activities in the foreseeable future.

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.



GENERAL PRINCIPLES

Estimates

In applying the principles and policies for drawing up the financial statements, the directors of VDL Nedcar B.V. make various 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.

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.

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 profit and loss account for the duration of the contract.

Financial instruments

All financial instruments reported in the balance sheet are valued at (amortised) cost price. Due to the short term nature of the recognized financial instruments the actual value equals the value at amortised costs. VDL Nedcar had no derivative financial instruments.



ACCOUNTING PRINCIPLES 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. For land a deferred taxation of 0% is taken into account.

Impairments expected on the balance sheet date are taken into account. With regard to the determination as to whether a tangible fixed asset is subject to an impairment, please refer to the relevant section. 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.

Major maintenance expenses are capitalized and amortized over the expected useful life. Costs for regular maintenance and repair are charged directly to the result. 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 1/3 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.



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 than the realisable value. The realisable value is higher of the market value and the operating value.

An impairment loss is directly recognised in the profit and loss account. 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.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand. Current account debts to banks are listed under debts to credit institutions under current liabilities. Cash and cash equivalents 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 the time value of money is material. In that case the present value of the expected future expenditure will be used. The provisions 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 reimbursement will be recognized as an asset in the balance sheet.

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 liability is based on the current applicable tax rate discounted to a net present value of 15% for buildings and 0% for land.

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.

Restructuring provision

This provision pertains to costs relating to the restructuring of activities and is created when a constructive or legal obligation has arisen for the entity. A provision is created when, effective on the balance sheet date, a plan has been formalised and either the justified expectation has been evoked among the affected parties that the restructuring will be carried out, or the implementation of the restructuring plan has begun. For a restructuring for which, effective on the balance sheet date, a plan has been formalised, but for which only after the balance sheet date either the justified expectation has been evoked among the affected parties that the restructuring will be carried out, or the implementation of the restructuring plan has begun, a provision is also recognised in the balance sheet. This provision must largely be classified as short-term.

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 Provisions

Other provisions comprise a provision for an addition to the salary of employees who are partially incapacitated for work but still employed by VDL Nedcar B.V.

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

Net sales

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

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.

Other operating income

Results that do not directly correspond with the delivery of goods and services within the context of the normal, non-incident business operations are accounted for under other operating income. This income is recorded in the year in which it was realised.

Government grants

Operating subsidies are recorded as income in the profit and loss account 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 and that all the subsidy provisions have been met. Government grants are presented as other operating income.

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

Costs of work contracted out

Costs of work contracted out comprise all costs related to work contracted out and other external costs incurred to generate net turnover and other operating income.

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

Other expenses

Expenses are determined on a historical cost basis and attributed to the financial year in which the costs are incurred.

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 other operating income.

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

GENERAL

In the normal course of business, VDL Nedcar B.V. utilizes various financial instruments which expose the company to market, foreign exchange, interest, cash flow, credit, and liquidity risks. To manage these risks the company established a policy including a framework of limits and procedures to mitigate the impact of potential negative developments on financial markets and consequently the financial performance of the company. VDL Nedcar B.V. does not utilize derivative financial instruments to mitigate potential risks.

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 Cash and cash equivalents) 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 Cash and cash equivalents 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 Cash and cash equivalents.





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	Assets under construction	Total
Book value as at 1 January 2021	148,716	45,361	19,783	9,491	223,351
Investments	1,941	3,706	5,019	10,697	21,363
Reclassification	4,828	364	373	-5,565	0
Disinvestments	0	-7	-426	0	-433
Depreciation	-8,851	-18,066	-7,272	0	-34,189
Book value as at 31 December 2021	146,634	31,358	17,477	14,623	210,092
The specification of the book value as at 31 December 2021 is as follows:					
Historical cost (including revaluations)	354,921	527,371	74,996	14,623	971,911
Cumulative depreciation	208,287	496,013	57,519	0	761,819
	146,634	31,358	17,477	14,623	210,092

Revaluations included in the purchase price for buildings and land based on transitional arrangements at year end 2021 amounted to 45.107 (2020: 45.926).

	31 December 2021	31 December 2020
Current assets		
Inventories and work in progress		
Raw materials and consumables	60,685	63,143
Work in progress	18,244	13,366
	78,929	76,509

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

Construction contracts

Since as at 31 December 2021 and 31 December 2020, invoiced instalments exceeded the capitalised costs, this item was accounted for under current liabilities.

	31 December 2021	31 December 2020
	<hr/>	<hr/>
Receivables		
Trade receivables	181,941	30,246
Group companies	463,355	397,021
Other receivables and accrued income and prepayments	44,641	21,779
	<hr/>	<hr/>
	689,937	449,046
	<hr/>	<hr/>

On the average balance of receivables from group companies 0.5% interest is charged per year (2020: 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 689 (2020: 93) is attributable to group companies.

	31 December 2021	31 December 2020
	<hr/>	<hr/>
Cash and cash equivalents		
Cash	0	0
Credit institutions	876	1,021
	<hr/>	<hr/>
	876	1,021
	<hr/>	<hr/>

Cash and cash equivalents are readily available.

Shareholders' equity

	Share capital	Share premium	Revaluation reserve	Other reserves	Total
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 1 January 2021	250,010	50,000	42,609	78,693	421,312
Result year under review	0	0	0	121,754	121,754
Change revaluation reserve	0	0	-696	696	0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2021	250,010	50,000	41,913	201,143	543,066
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Share capital

The registered capital of VDL Nedcar B.V. amounts to 340,335 consisting of 340,335,000 shares each with a nominal value of € 1 of which 250,010,091 shares were issued and fully paid up.

	31 December 2021	31 December 2020
Provisions		
For deferred taxation	2,133	1,748
Other provisions	19,369	40,656
	<u>21,502</u>	<u>42,404</u>

The nominal value of the provision for deferred taxation amounts to 3.555. The average term of the deferred tax liability comprises 15 years.

Other provisions

Guarantee provision	2,900	12,207
Dismantling provision	6,682	5,732
Restructuring provision	-	12,749
Provision post-retirement medical health benefit	1,040	1,597
Provision for jubilee benefits	8,181	7,703
Other provisions	566	668
	<u>19,369</u>	<u>40,656</u>

Provisions developed as follows:

	Deferred taxation	Guarantee provision	Dismantling provision	Restructuring provision
Balance as at 1 January 2021	1,748	12,207	5,732	12,749
Additional charge to the result	385	2,108	950	5,345
Reduction in favour of the result	0	-11,028	0	-737
Payment charged to the provision	0	-387	0	-17,357
Balance as at 31 December 2021	<u>2,133</u>	<u>2,900</u>	<u>6,682</u>	<u>0</u>

	Post- retirement medical health benefit	Provision for jubilee benefits	Other provisions	Total
Balance as at 1 January 2021	1,597	7,703	668	42,404
Additional charge to the result	0	693	0	9,481
Reduction in favour of the result	-348	0	-102	-12,215
Payment charged to the provision	-209	-215	0	-18,168
Balance as at 31 December 2021	1,040	8,181	566	21,502

	31 December 2021	31 December 2020
Current liabilities		
Construction contracts	15,190	3,758
Trade payables	167,796	120,217
Taxation and social security premiums	41,405	91,207
Other liabilities and accrued expenses	190,875	71,029
	415,266	286,211

Current liabilities have a term of less than one year.

Under the trade payables an amount of 1.191 (2020: 218) is attributable to group companies.

	31 December 2021	31 December 2020
Construction contracts		
Invoiced instalments on construction contracts	15,415	7,620
Less: capitalised costs	225	3,862
	15,190	3,758

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 € 0.2mIn respectively € 2.0mIn
- contracts for which the value of the invoiced instalments exceeds the value of the capitalised costs, in the amount of € 15.4 mIn respectively € 5.8 mIn.

Off-balance sheet commitments and contingent assets

Guarantees

Bank guarantees set by VDL Nedcar as at 31 December 2021 amount to 370.

Purchasing commitment

The company entered contractual purchasing commitments for a total amount of 34.182 related to the acquisition of fixed assets and construction contracts.

Further, purchasing commitments were entered related to regular car production which are covered by the client.

Claims

VDL Nedcar B.V. is in a dispute related to import tariffs with the Customs office for a maximum amount of 4,371. Because VDL Nedcar B.V. is convinced the appeal will be in favor of VDL Nedcar, no provision has been recognized in the balance sheet ultimo 2021. Awaiting ruling in the procedure an amount of 3,510 is paid in advance and recognized as a receivable in the balance sheet ultimo 2021.

Fiscal Unity

VDL Nedcar B.V., together with VDL Groep B.V. form a fiscal unity for corporate income tax as well as value added tax. Based on the Collection of State Taxes Act, the parent company and the subsidiaries joined with her, are all jointly and severally liable for the tax liability of the combination.

Rental commitment

The rental commitment for the upcoming financial year amounts to 630. This commitment has a term shorter than 1 year.

Compensation BMW

In June 2020, BMW informed VDL Nedcar of its intent to cancel the production contract signed in 2019. In May 2021, BMW and VDL Nedcar signed an agreement that sets out the conditions for this cancellation. Part of this agreement stipulates that BMW will pay VDL Nedcar an amount in compensation over a period until the end of production. Due to the interpretation of certain conditions any related amounts to be received in 2022 and 2023 could not be reliably determined at this time and due to the therefore have not been recognized and disclosed in these financial statements.

NOTES TO THE PROFIT AND LOSS ACCOUNT

All amounts x € 1,000

	2021	2020
Invoiced sales		
Netherlands	1,140	259
Other countries Europe	2,049,365	2,319,936
Asia	0	48
	2,050,505	2,320,243
Other operating income		
Emergency Bridging Measure for Sustained Employment (NOW)	34,669	37,455
Other operating income	57,253	9,019
	91,922	46,474

The other operating income item in the profit and loss account includes a grant in the amount of 34.669 arising from the Emergency Bridging Measure for Sustained Employment (NOW). The amount of this grant is determined on the basis of the percentage decrease in turnover in the 2021 measurement periods in comparison to the 2019 reference turnover. The 34.669 amount consists of an amount of 29.542 received in advance and an amount of 5.127 still to be received based on the actual decline in turnover. The 5.127 amount still to be received is recognised in the balance sheet under the Other receivables and accrued income item. The final calculations and award are still subject to an audit and confirmation by the Employee Insurance Agency (UWV). Because the grant has not yet been definitively established, recognition is based on an estimate which in turn is based on the current interpretation of the NOW regulations.

In June 2020, BMW informed VDL Nedcar of its intent to cancel the production contract signed in 2019. In May 2021, BMW and VDL Nedcar signed an agreement that sets out the conditions for this cancellation. Part of this agreement stipulates that BMW will pay VDL Nedcar an amount in compensation over a period until the end of production. An amount of 49.036 was received in 2021 and recognized under other operating income. Any amounts to be received in 2022 and 2023 could not be reliably determined at this time and therefore have not been recognized in these financial statements.

	2021	2020
	<hr/>	<hr/>
Wages and salaries		
Salary expenses payroll employees	171,327	193,027
Hired-in employees	30,175	32,369
Social security expenses	26,991	28,148
Pension Expenses	16,047	16,399
Other personnel expenses	21,775	28,413
	<hr/>	<hr/>
	266,315	298,356
	<hr/>	<hr/>
Workforce		
Average number of employees (FTE)	3,501	3,881
	<hr/>	<hr/>
Broken down according to position:		
Management Board	1	1
Office	641	742
Production	2,859	3,138
	<hr/>	<hr/>
	3,501	3,881
	<hr/>	<hr/>
Number of employees at financial year end	4,255	4,646
	<hr/>	<hr/>

The number of employees at financial year end includes interns and hired-in employees. At the end of 2021, no employees were employed abroad (2020: 0).

	2021	2020
	<hr/>	<hr/>
Financial income and expenses		
Interest income and similar revenues	16	67
Interest income from group companies	1,349	1,201
Interest expenses and similar expenses	-42	-60
	<hr/>	<hr/>
	1,323	1,208
	<hr/>	<hr/>

	2021	2020
Tax on result from ordinary business operations		
Result from ordinary business operations before tax	161,996	50,793
Taxation on result from ordinary business operations	40,242	15,475
Effective tax rate (%)	24,84	30.47
Applicable tax rate (%)	25.00	25.00
The difference between the applicable corporate income tax rate of 25.0% and the effective tax rate on the result before tax is explained as follows:		

	2021	2020
Applicable tax rate	25,00	25,00
Effect of 15% deferred tax on revaluations of buildings	-0,16	5,47
Effective tax rate	24,84	30,47

The fluctuation of the impact of the tax rate is caused by the fact that the deferred tax liability decreased in 2020, while it increased again in 2021 as a result of increased taxable depreciation compared to financial year 2020.

Auditor's fee

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

Subsequent events

In February 2022 Russia invaded Ukraine. This disturbed the supply chain of VDL Nedcar. The supply of parts as well as sales of vehicles are severely influenced by the war in Ukraine, the aftermath of the corona-pandemic and other uncertainties faced by the automotive industry. A stable production planning is not to be expected. During the first three months of 2022 several production days have been lost due to supply chain issues. The number of produced vehicles as well as net-sales will be under pressure. We expect the result before taxation of the current year to be lower. Our ability to adapt will be severely put to the test.

PROFIT APPROPRIATION

Profit appropriation 2021

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



REPORT OF THE INDEPENDENT AUDITOR

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

Our opinion

The summary financial statements 2021 (hereafter: 'the summary financial statements') of VDL Nedcar B.V., based in Born is derived from the audited financial statements 2021 of VDL Nedcar B.V..

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements 2021 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 2021;
2. the following statements for 2021:
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 2021 of VDL Nedcar B.V. in our auditor's report of 6 July 2022.

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, 6 July 2022

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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