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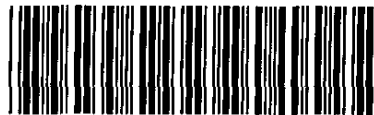
Kinetik S.à r.l.

Consolidated Financial Statements

For the year ended December 31, 2018
with the report of the Réviseur d'Entreprises Agréé

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L-2370 Howald
R.C.S. Luxembourg: B 191311

THURSDAY



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Consolidated Financial Statements
For the year ended December 31, 2018

C O N T E N T S

| | <u>Page</u> |
|-------------------------------------------------------------------------|----------------|
| Independent Auditors' report | 3-5 |
| Consolidated statement of profit or loss and other comprehensive income | 6-7 |
| Consolidated statement of financial position | 8 |
| <i>Consolidated statement of changes in equity</i> | 9 |
| Consolidated statement of cash flows | 10 |
| Notes to the consolidated financial statements | 11-40 |
| <i>Members Report - year ended 31 December 2018</i> | <i>41 - 44</i> |



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To the Board of Managers of
Kinetik S.à r.l.
1, rue Petermelchen
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Opinion

We have audited the consolidated financial statements of Kinetik S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

We draw attention to the fact that we have not audited the accompanying consolidated statement of financial position of the Company as at 31 December 2017, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended or any of the related notes and accordingly, we do not express an opinion on them.



Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.



- Conclude on the appropriateness of Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Luxembourg, 20 September 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé



Stephan Lego-Deiber

Kinetik S.à r.l

Consolidated Statement of profit or loss and other comprehensive income

For the year ended December 31st, 2018

| | | 2018 | 2017 (unaudited) |
|-----------------------------------------------------|------|------------------------|----------------------------|
| <i>In thousands of euro</i> | | | |
| | Note | | |
| Continuing Operations | | | |
| Administration expenses | 17C | (65.876) | (32.759) |
| Other operating income | 17A | 4.415 | 938 |
| Other operating expenses | 17B | (32) | - |
| Operating result | | <u>(61.493)</u> | <u>(31.821)</u> |
| Financial income | 18 | 1.481 | 919 |
| Financial cost | 18 | (28.859) | (4.183) |
| Share of the result of equity-accounted investments | 8 | (94) | - |
| Net finance cost | | <u>(27.472)</u> | <u>(3.264)</u> |
| Loss before tax | | <u>(88.965)</u> | <u>(35.085)</u> |
| Income tax income/expense | 14A | 885 | (703) |
| Loss from continuing operations | | <u>(88.080)</u> | <u>(35.788)</u> |
| Discontinued operations | | | |
| Loss from discontinued operations, net of tax | 19 | (18) | (89) |
| Loss for the year | | <u>(88.098)</u> | <u>(35.877)</u> |
| Attributable to: | | | |
| - Owners of the Company | | (88.098) | (35.870) |
| - Non-controlling interests | | (-) | (7) |

Kinetik S.à r.l

Consolidated Statement of profit or loss and other comprehensive income (continued)

For the year ended December 31st, 2018

| <i>In thousands of euro</i> | | 2018 | 2017 (unaudited) |
|----------------------------------------------------------------------|------|------------------------|-----------------------------------|
| | Note | | |
| Loss for the year | | (88.098) | (35.877) |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translating foreign operations | 12C | <u>(587)</u> | <u>10.858</u> |
| Total other comprehensive income for the year | | <u>(88.685)</u> | <u>(25.019)</u> |
| Attributable to: | | | |
| - Owners of the Company | | (88.685) | (25.012) |
| - Non-controlling interests | | - | (7) |

Consolidated statement of financial position

The notes on pages 11 to 40 are an integral part of these financial statements.

Kinetik S.à r.l

As at December 31st 2018

| <i>In thousands of euro</i> | | December 31st 2018 | December 31st 2017 (unaudited) |
|-----------------------------------------------------|------|------------------------------------------|----------------------------------------------------------|
| ASSETS | | | |
| <u>Non-Current Assets</u> | Note | | |
| Property, plant and equipment | 6 | 14.581 | 8.116 |
| Intangible assets and goodwill | 7 | 41.418 | 50.564 |
| Investments in associated companies | 8 | 3.165 | - |
| Trade and other receivables | 9A | <u>5.457</u> | <u>4.955</u> |
| Total Non-Current Assets | | <u>64.621</u> | <u>63.635</u> |
| <u>Current Assets</u> | | | |
| Inventory | 10 | 1.455 | 1.758 |
| Current tax asset | | 2 | 10 |
| Deferred tax asset | 14B | 117 | 60 |
| Trade and other receivables | 9B | 9.130 | 8.299 |
| Prepayments | | 2.551 | 1.824 |
| Cash and cash equivalents | 11 | <u>2.607</u> | <u>8.476</u> |
| Total Current Assets | | <u>15.862</u> | <u>20.427</u> |
| Assets from discontinued operations | 16 | <u>-</u> | <u>164</u> |
| TOTAL ASSETS | | <u>80.483</u> | <u>84.226</u> |
| EQUITY AND LIABILITIES | | | |
| <u>Capital and reserves</u> | | | |
| Share capital | 12 | 16 | 16 |
| Share Premium | 12 | 335 | 335 |
| Other reserves | 12 | 4.837 | 5.424 |
| Retained earnings | | <u>(161.137)</u> | <u>(73.039)</u> |
| Equity attributable to owners of the Company | | <u>(155.949)</u> | <u>(67.264)</u> |
| Non-controlling interest | | <u>1.014</u> | <u>1.014</u> |
| Total Equity | | <u>(154.935)</u> | <u>(66.250)</u> |
| <u>Non-Current Liabilities</u> | | | |
| Loans and Borrowings | 13 | 228.700 | - |
| Deferred taxes | 14B | <u>50</u> | <u>1.066</u> |
| Total Non-Current Liabilities | | <u>229.750</u> | <u>1.066</u> |
| <u>Current Liabilities</u> | | | |
| Current tax liabilities | | 57 | 28 |
| Loans and Borrowings | 13 | - | 140.560 |
| Trade and other payables | 15 | <u>6.611</u> | <u>8.792</u> |
| Total Current Liabilities | | <u>6.668</u> | <u>149.380</u> |
| Liabilities from discontinued operations | 16 | <u>-</u> | <u>30</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>80.483</u> | <u>84.226</u> |

Kinetik S.à r.l

Consolidated statement of changes in equity

For the year ended December 31st, 2018

| <i>In thousands of euro</i> | Note | Share capital | Share Premium | Retained Earnings | Translation Reserve | Total | Non-controlling interest | Total Equity |
|--------------------------------------------------|------|---------------|---------------|-------------------|---------------------|------------------|--------------------------|------------------|
| Balance at January 01st, 2017 | | | | | | | | |
| (unaudited) | | 16 | 335 | (37.169) | (5.434) | (42.252) | 1.021 | (41.231) |
| Loss for the year | | - | - | (35.870) | - | (35.870) | (7) | (35.877) |
| Other comprehensive income | 12C | - | - | - | 10.858 | 10.858 | - | 10.858 |
| Balance at December 31st, 2017 | | <u>16</u> | <u>335</u> | <u>(73.039)</u> | <u>5.424</u> | <u>(67.264)</u> | <u>1.014</u> | <u>(66.250)</u> |
| (unaudited) | | | | | | | | |
| Balance at January 01st, 2018 | | 16 | 335 | (73.039) | 5.424 | (67.264) | 1.014 | (66.250) |
| (unaudited) | | - | - | (88.098) | - | (88.098) | - | (88.098) |
| Loss for the year | | - | - | - | (587) | (587) | - | (587) |
| Other comprehensive income | 12C | - | - | - | - | - | - | - |
| Balance at December 31st, 2018 | | <u>16</u> | <u>335</u> | <u>(161.137)</u> | <u>4.837</u> | <u>(155.949)</u> | <u>1.014</u> | <u>(154.935)</u> |

The notes on pages 11 to 40 are an integral part of these financial statements.

Kinetik S.à r.l

Consolidated Statement of Cash Flows

For the year ended December 31st, 2018

| <i>In thousands of euro</i> | | 2018 | 2017 (unaudited) |
|---------------------------------------------------------------------|--------|---------------------|-----------------------------------|
| | Note | | |
| Operating activities | | | |
| Profit/(Loss) for the year | | (88.098) | (35.877) |
| Adjustments for: | | | |
| - Depreciation/Amortization | 6,7 | 3.282 | 846 |
| - Impairment losses | 6,7,18 | 32.017 | 2.545 |
| - Result of entities consolidated under Equity method | 8 | 94 | - |
| - Net foreign exchange differences | 18 | (126) | (266) |
| - Net finance cost | 18 | 18.624 | 2.956 |
| - Gain from sale of subsidiary – adjustment for prior year | 18 | (9) | (654) |
| - Deferred taxes | 14A | (1.078) | 469 |
| - Tax expense | 14A | 183 | 221 |
| Cash flows used in operations before working capital changes | | (35.111) | (29.760) |
| Increase/decrease in trade and other receivables | | (1.943) | 9.491 |
| Increase/decrease in trade and other payables | | (1.067) | 1.471 |
| Increase/decrease of inventory | | 219 | (1.015) |
| Cash flows used in operations | | (37.902) | (19.813) |
| Income tax expense | | (129) | (221) |
| Interest received | 18 | 127 | 7 |
| Income tax received | | 41 | 25 |
| Net cash used in operating activities | | (37.863) | (20.002) |
| Cash flows from investing activities | | | |
| Acquisition of intangible and tangible fixed assets | 6,7 | (29.698) | (41.836) |
| Cash Guarantees and Deposits | 9 | 246 | (3.236) |
| Loans given | 9 | (4.463) | (1.327) |
| Net cash used in investing activities | | (33.915) | (46.399) |
| Cash flows from financing activities | | | |
| Investment in associated companies | 8 | (3.213) | - |
| Repayment of loans and borrowings | 13 | - | (19.935) |
| Proceeds from loans and borrowings | 13 | 69.389 | 82.572 |
| Net cash from financing activities | | 66.176 | 62.637 |
| Net increase/decrease in cash and cash equivalents | | (5.602) | (3.764) |
| Cash and cash equivalents at January 1 st | | 8.486 | 12.525 |
| Effects of movements in exchange rates on cash held | | (277) | (275) |
| Cash and cash equivalents at December 31st | | <u>2.607</u> | <u>8.486</u> |

Kinetik S.à r.l

Notes to the consolidated financial statements

For the year ended December 31st, 2018

1. INCORPORATION AND PRINCIPAL ACTIVITIES

General

Kinetik S.à r.l. (the “Company” or the “Group” if than together with its subsidiaries) was incorporated in Luxembourg on October 3rd, 2014 as a Société à responsabilité limitée. The Company has its registered address at 1, rue Petermelchen, L-2370 Howald Luxembourg and is registered at the Luxembourg Commercial Register under number R.C.S Luxembourg n° 191311.

Principal activities

The Group principal activity is research and development of electric motor vehicles, robotics, health care equipment, electric batteries, artificial intelligence and software.

2. BASIS OF PREPARATION

The Group’s financial year starts from January 1st to December 31st, which is also the annual closing date of the individual entities’ financial statements which have been incorporated into the Group’s consolidated financial statements.

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). It complies with the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRSIC) as adopted by the European Union (EU).

These consolidated financial statements were authorized for issue by the Board of Managers on September 18th, 2019.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

Going concern

The consolidated financial statements have been prepared on a going concern basis (see note 4B)

The Board of Managers has made an assessment of the ability of the Group to continue their work as continuing operations and it is satisfied that the consolidated financial statements can be prepared on the going concern basis.

Functional and presentation currency

The consolidated financial statements are presented in euro (EUR) which is the functional and presentation currency of the Group, rounded off to the nearest thousand, unless otherwise stated.

First-time adoption of IFRS

These consolidated financial statements for the year ended December 31st, 2018 are the first the Group prepared in accordance with IFRS. Accordingly, the Group has prepared consolidated financial statements which comply with IFRS as applicable for the year ended December 31st, 2018. No adjustments apply as the Group did not previously prepare consolidated financial statements under any accounting framework.

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

2. BASIS OF PREPARATION (continued)

Adoption of new and revised International Financial Reporting Standards

The following Standards, Amendments to Standards and Interpretations have been issued and adopted by the Group as of January 1st, 2018

| Effective date | New standards or amendments |
|--------------------------------|-------------------------------------------------------------------------------------------|
| January 1 st , 2018 | IFRS 9 – Financial Instruments |
| | IFRS 15 – Revenue from contracts with Customers |
| | Amendments to IFRS 2 – Classification and measurement of share-based payment transactions |
| | Amendments to IAS 40 – Transfers to investment property |
| | Interpretation 22 Foreign currency transactions and advance consideration |

The group had to adopted the above changes in its accounting policies. The new standards and the amendments listed above did not have any impact on the amounts recognised in prior periods as the Group did not have any transactions which required the application of these standards.

The following Standards, Amendments to Standards and Interpretations have been issued but are not effective for the year ended December 31st 2018:

| Effective date | New standards or amendments |
|--------------------------------|------------------------------------------------------------------------------------------------|
| January 1 st , 2019 | IFRS 16 – Leases |
| | IFRIC 23 – Uncertainty over Tax Treatments |
| | IFRS 9 – Prepayments Features with Negative Compensation |
| | IAS 28 – Long-term Interests in Associates and Join Ventures |
| | IAS 19 – Plan Amendment, Curtailment or Settlement |
| | IFRS10 – Sale or Contribution of Assets between an Investor and its Associate or joint Venture |
| January 1 st , 2020 | Amendments to References to Conceptual Framework in IFRS Standards |
| January 1 st , 2021 | IFRS 17 – Insurance Contracts |

- *IFRS 16 “Leases”*

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard introduces a single, on-balance sheet lease accounting model for lessees. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The previous distinction between operating and finance leases is removed for lessees. Instead, a lessee recognized a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Based on assessments undertaken to date, the adoption of the standard is expected to have the following impact: Asset: Right of Usage: EUR 8.874 and Liabilities: Lease Liability: EUR 8.874.

The Group plans to apply IFRS as from January 1st, 2019 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS16 will be recognized as an adjustment to the opening balance of retained earnings as January 1st, 2019, with no restatement of comparative information.

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised International Financial Reporting Standards (continued)

- *IFRIC 23 “Uncertainty over Income Tax Treatments”*

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. The key test is whether it is probable that the tax authority will accept the chosen tax treatment, on the assumption that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty being either the most likely amount or the expected value. The interpretation also requires companies to reassess the judgements and estimates applied if facts and circumstances change. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements in relation to judgements made, assumptions and estimates used, and the potential impact of uncertainties that are not reflected.

The Managers of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

- *IFRS 9 “Prepayment Features with Negative Compensation”*

The amendment of IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The Managers of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

- *IAS 28 – “Long-term Interests in Associates and Joint Ventures”*

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The Managers of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

- *IAS 19 – “Plan Amendment, Curtailment or Settlement”*

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new and revised International Financial Reporting Standards (continued)

- *IAS 19 – “Plan Amendment, Curtailment or Settlement” (continued)*
The Managers of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.
- *IFRS10 – “Sale or Contribution of Assets between an Investor and its Associate or joint Venture”*
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture.
- *IFRS10 – “Sale or Contribution of Assets between an Investor and its Associate or joint Venture” (continued)*

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The Managers of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

Basis of consolidation

a) Subsidiary companies

Subsidiaries are all the entities controlled by the Group. Control exists where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses the existence of control when it does not hold more than 50% of the voting rights but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group’s voting rights relative to the size and dispersion of other shareholders participation, give to the Group the power to govern the financial and operating policies of an entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

b) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed in the profit and loss as incurred.

If the business combination is achieved in stages, the fair value at the acquisition date of the interest previously held by the Group is valued again at fair value at the acquisition date through profit and loss.

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is considered as an asset or liability is recognized in accordance with IAS 39 either in the profit and loss account or as a change to other comprehensive income. Contingent consideration classified as equity is not remeasured and its subsequent settlement is recognized in equity.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the amount of any non-controlling interests in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the consideration price is lower than the fair value of the net assets of subsidiaries acquired, the excess is recognized in profit or loss.

c) Loss of control

When the Group ceases to have control or significant influence over an entity, any retained interest the Group holds in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is used as the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may imply that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The list of the subsidiary companies of the Group is:

| The Group | Country | Consolidation Basis | Participation in share capital | | Principal activity |
|------------------------------------------------------|---------|---------------------|--------------------------------|------|----------------------------------------------------|
| | | | 2018 | 2017 | |
| Arrival S.à r.l. | Lux | Global | 100% | 100% | Acquisition and holding of participating interests |
| K Health S.à r.l. | Lux | Global | 100% | 100% | Acquisition and holding of participating interests |
| K Robolife S.à r.l. | Lux | Global | 100% | 100% | Acquisition and holding of participating interests |
| K Networks S.à r.l. | Lux | Global | - | 100% | Sold |
| Charge Automotive S.à r.l. | Lux | Global | 100% | 100% | Acquisition and holding of participating interests |
| K Remy Robotics S.à r.l. (previously TRA S.à r.l.) | Lux | Global | 100% | 100% | Acquisition and holding of participating interests |
| Happy Electron S.à r.l. | Lux | Global | 100% | 100% | Acquisition and holding of participating interests |
| Studio 26 S.à r.l. (previously K Composite S.à r.l.) | Lux | Global | 100% | 100% | Acquisition and holding of participating interests |
| Arrival Team S.à r.l. | Lux | Global | 100% | 100% | Acquisition and holding of participating interests |
| K Fintech S.à r.l. | Lux | Global | 100% | - | Acquisition and holding of participating interests |
| K Robolife Team S.à r.l. | Lux | Global | 100% | - | Acquisition and holding of participating interests |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

List of subsidiaries (continued)

| The Group | Country | Consolidation Basis | Participation in share capital | | Principal activity |
|---------------------------------------------------|---------|---------------------|--------------------------------|------|----------------------------------------------------|
| | | | 2018 | 2017 | |
| K Cybernation S.à r.l. | Lux | Global | 100% | - | Acquisition and holding of participating interests |
| Arrival Ltd | UK | Global | 100% | 100% | Development of electric vehicles |
| Arrival Nominees Ltd (previously charge.auto Ltd) | UK | Global | 100% | 100% | Acquisition and holding of participating interests |
| Roborace Ltd | UK | Global | 100% | 100% | R&D Artificial Intelligence Driving |
| Seven.me Ltd | UK | Global | 100% | 100% | R&D in medical equipment |
| Experiment X Ltd | UK | Global | 100% | 100% | R&D in medical equipment |
| Arrival Software Ltd | UK | Global | 80% | 80% | R&D in AI of electric cars |
| Sim-ply Designed Ltd | UK | Global | 100% | 100% | R&D in factory process |
| Happy Electron Lap Ltd | UK | Global | 100% | 100% | R&D in batteries |
| Happy Electron Ltd | UK | Global | 100% | 100% | R&D in batteries |
| Kinetik UK Ltd | UK | Global | - | 100% | Liquidated |
| TRA Robotics Ltd | UK | Global | 100% | 100% | R&D in Robotic machinery |
| Charge Automotive Ltd | UK | Global | 100% | 100% | Production of electric cars |
| Arrival One Ltd | UK | Global | 100% | 100% | Liquidated |
| Arrival Jet Ltd | UK | Global | 100% | 100% | Development of jet vehicles |
| Robonetica Ltd | UK | Global | 100% | - | R&D in Artificial intelligence for Robots |
| HE SpinBattery Ltd | UK | Global | 100% | - | R&D in batteries |
| HE Magnetic UltraCap Ltd | UK | Global | 100% | - | R&D in batteries |
| HE Carbon SuperCap Ltd | UK | Global | 100% | - | R&D in batteries |
| Remy Robotics Ltd | UK | Global | 100% | - | R&D in Robotic machinery |
| Arrival Management Systems Ltd | UK | Global | 100% | - | R&D in software |
| Studio 26 Lab Ltd | UK | Global | 100% | - | Dormant |
| Absolutely No Nonsense Admin Ltd | UK | Equity | 24,641% | - | Mobile Business Account Provider |
| ADA Innovation Ltd | UK | Global | - | - | Sold |
| Tatakoto Ltd | CY | Global | 100% | 100% | R&D in medical equipment |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

List of subsidiaries (continued)

| The Group | Country | Consolidation Basis | Participation in share capital | | Principal activity |
|----------------------------|---------|---------------------|--------------------------------|------|----------------------------------------------------|
| | | | 2018 | 2017 | |
| Roborace Inc | US | Global | 100% | 100% | R&D Artificial Intelligence Driving |
| Happy Electron Lap Inc | US | Global | 100% | - | R&D in batteries |
| Charge Automotive Inc | US | Global | 100% | - | Production of electric cars |
| Arrival Automotive Inc | US | Global | 100% | - | R&D of electric vehicles |
| Arrival Automotive PTE Ltd | SGP | Global | 100% | - | Acquisition and holding of participating interests |
| Arrival Software LLC | Russia | Global | 100% | 100% | Research in car software |
| TRA Robotics LLC | Russia | Global | 100% | 100% | R&D in Robotic machinery |
| Experiment X LLC | Russia | Global | 100% | - | R&D in medical equipment |
| Remy Robotics SL | Spain | Global | 100% | - | R&D in Robotic machinery |
| Arrival Germany GmbH | GER | Global | 100% | - | R&D of electric vehicles |
| TRA Robotics GmbH | GER | Global | 100% | - | R&D in Robotic machinery |

The subsidiaries set out below are exempt from the requirements of the Company Act relating to the audit of the individual statutory accounts under section 479A and filing of individual statutory accounts under section 448A of the Companies Act 2006 UK. The Company which has prepared audited consolidated accounts, has given a guarantee under section 479C of the UK Companies Act and all members of the subsidiaries below agree to the exemption of an audit for the year ended December 31st 2018.

The entities granted the exemption under section 479C are:

Arrival Ltd, Roborace Ltd, Seven.me Ltd, Experiment X Ltd, Arrival Software Ltd, Happy Electron Lap Ltd, Happy Electron Ltd, TRA Robotics Ltd, Charge Automotive Ltd, Arrival Jet Ltd, He SpinBattery Ltd, HE Carbon SuperCap Ltd and HE Magnetic Ultra Cap Ltd, Arrival Nominees Ltd, Sim-ply Designed Ltd, Arrival One Ltd, Robonetica Ltd, Remy Robotics Ltd, Arrival Management Systems Ltd and Studio 26 Lap Ltd

d) Transactions with non-controlling interests

The non-controlling interests in the profit and loss and in the equity of the subsidiaries are presented separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and consolidated statement of financial position.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired or the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses of the Group on disposals to non-controlling interests are also recorded in equity.

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

e) Associate companies

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill, identified on acquisition net of any accumulated impairment loss.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill, identified on acquisition net of any accumulated impairment loss.

Dividends received or receivable from associate companies are recognized as a reduction in the carrying amount of the investment.

The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize any further losses, unless it has incurred obligations or made payments on behalf of the associate.

f) Transactions eliminated at consolidation

Intergroup balances and any recognized gains and losses or income and expenses arising from intergroup transactions, are eliminated during the preparation of the consolidated financial statements. Unrealised gains arising from transactions with associate companies are eliminated to the extent of the Group's interest in the net assets of the associate company. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence for impairment.

Sale of subsidiaries, joint ventures or associate companies

In the consolidated financial statements the gain or loss from the disposal of subsidiaries, joint ventures or associate companies is calculated as the difference between the sale proceeds and the Group's share of net assets of the subsidiary, joint venture or associate company at the date of disposal less any unamortised goodwill arising from the acquisition of the subsidiary, joint venture or associate company.

Foreign currencies

1. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Euro at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed off in its entirety or partially such control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit and loss as part of the gain or loss on disposal. If the Group disposes off part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes off only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit and loss.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the foreign currency differences arising from such items form part of the net investment in the foreign operation. Accordingly, such differences are recognized in OCI and accumulated in the translation reserve.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group. As the Group has a flat structure, each entity that the management decide to liquidate and/or dispose is then classified as discontinued operation

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

The depreciation rates for property, plant and equipment are as follows:

| | <u>Depreciation method</u> | <u>Depreciation Rate</u> |
|----------------------|----------------------------|--------------------------|
| Plant and machinery | Straight line | 20% |
| Furniture & Fittings | Straight line | 20% |
| Computer equipment | Straight line | 33% |
| Motor vehicles | Straight line | 20% |

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

When an asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

Intangible fixed assets and goodwill

Intangible fixed assets are valued at purchase price including the expenses incidental thereto or at production cost, less accumulated amortization, accumulated impairment losses. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortization rate are amended prospectively to reflect the new circumstances. The assets are reviews for impairment if the above factors indicate that the carrying amount may be impaired.

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible fixed assets and goodwill (continued)

Expenditure on research activities is recognized in the profit and loss account as an expense as incurred. Expenditure on development activities may be recognized if the product or process is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development.

Development activities involve design for, construction or testing of the production of a new or substantially improved products or processes. The expenditure recognized includes the cost of materials, direct labor, an appropriate proportion of overheads and borrowing costs. Other developments expenditure is recognized in the profit and loss account as an expense as incurred. There will be no depreciation/amortization until the project is completed and the asset is placed into service. Capitalised development expenditure is stated at cost less accumulated recognized and less accumulated impairment losses.

Intangible assets are depreciated as follows:

| | <u>Depreciation method</u> | <u>Depreciation Rate</u> |
|-------------------|----------------------------|--------------------------|
| Software | Straight line | 20% |
| Computer software | Straight line | 33,33% |

Goodwill results from the acquisition of subsidiaries, associate companies and joint ventures and represents the excess of the consideration paid over the fair value of the net identifiable assets, liabilities and contingent liabilities of the entity acquired.

Goodwill is stated at cost, less accumulated impairment losses.

Goodwill impairment testing is performed annually or more frequently if events or changes in circumstances indicate possible impairment. The carrying value of goodwill is compared with its recoverable amount which is the higher of the value in use and the fair value less cost to sell. Any impairment is recognized immediately as an expense and is not reversed in future periods.

Trade and other receivables

Trade and other receivables are presented at their nominal value less provision for doubtful debtors, which is estimated by examining all the outstanding balances at year end. Unrecoverable amounts are written off when identified.

The amount of provision for doubtful debts represents the difference between the carrying amount and the recoverable amount, which is equal to the present value of the estimated cash flow.

Amounts receivable in more than one year are presented in non-current assets.

Inventories

Inventories are measured at the lower of cost and net recognized value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net recognized value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents, for the purpose of preparing the statement of cash flows, comprise cash in hand and at banks and short-term deposits expiring not more than three months after the acquisition date.

Impairment of assets

The carrying amount of the Group's assets is reviewed at each reporting date to determine whether there is any indication of impairment in the value of the assets. If such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is determined as the higher of its net selling price in an arm's length transaction and the present value of the estimated future cash flows from the continued use of the asset and its sale at the end of its useful life. When the recoverable amount of an asset is lower than its carrying amount, this decrease is recognized as an expense in the statement of comprehensive income of the year.

Where assets are presented at their revalued amounts, the permanent decrease is debited to the revaluation reserve. The amount of impairment that is not covered by the accumulated surpluses in the revaluation reserve for the specific asset is recognized in the statement of comprehensive income of the year.

Any impairment amount for goodwill cannot be reversed.

In case that in future accounting periods the amount of impairment that corresponds to the remaining assets decreases due to events that occurred after the recognition of the impairment, the corresponding amount is reversed through the statement of comprehensive income.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognized as a deduction from equity, net of any tax effects.

The share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares.

Trade and other payables

Trade and other payables are initially recognized at their fair value and subsequently measured at amortised cost.

Trade and other payables are classified as current liabilities unless the Group has the right, unconditionally, to postpone the repayment of the liabilities for at least twelve months after the reporting date.

Provisions

A provision is recognized in the statement of financial position, when an entity of the Group has a present legal or constructive obligation as a result of past events, from which it is probable that a future outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provision is not recognized for future losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of paper, size, finish etc. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

Interest income and expense

Interest income and expense are recognized within 'finance income' and 'finance costs' in profit or loss using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Government Grants

The Group recognises an unconditional government grant related to research and development in profit or loss as other income when the grant becomes receivable.

Leases

1. Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

2. Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

3. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in income statement. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be recognized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is recognized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Events after the reporting date

Assets and liabilities are adjusted for events which occurred in the period between the reporting date and the date the financial statements are approved by the Board of Managers when such events provide evidence if conditions that existed at the end of the reporting period.

Use of estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS as adopted by the EU requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are:

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and judgements (continued)

Taxation

The Group and its subsidiaries are subject to corporation tax in accordance with the legislation and the tax rates applicable in the countries where the companies operate. For specific transactions and calculations, the final tax computation is uncertain. The Group and its subsidiaries recognized liabilities for foreseeable tax matters based on estimates of whether additional tax will arise. Where the final tax assessment of these matters is different from the amount originally recognized, the differences will affect the provision for corporation tax and deferred tax in the period of assessment.

4. FINANCIAL RISK AND CAPITAL MANAGEMENT

A. Financial risk factors

The Group exposure to the following risks from its use of financial instruments:

- Liquidity risk
- Credit risk
- Market risk

The Board of Managers has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group has secured a credit facility up to EUR 400.000. On a monthly basis the Group entities provide their monthly cash-flow forecast and after careful consideration from management, a drawn down is made by the Company which is then funded to the various entities of the Group through capital contribution (see note 13).

(ii) Credit risk

Credit risk arises from the possibility that counterparties to transactions may default on their obligations, causing financial losses for the Group. As the Group is not actively trading, the risk is minimum. However, the management is closely monitoring the trade debtors by assessing the customers and taking actions were they necessary to do so to mitigate credit risk.

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

4. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Credit risk (continued)

| | 2018 | | | |
|-----------------------------|-------------------------------|-------------------------------------------|-------------------------------------------|-----------------------------|
| | <u>Due within 30 days</u> | <u>Due between 31 and 60 days</u> | <u>Due between 61 and 90 days</u> | <u>Due over 91 days</u> |
| <i>In thousands of euro</i> | | | | |
| Trade Debtors | 334 | - | - | - |

| | 2017 | | | |
|---------------|-------------------------------|-------------------------------------------|-------------------------------------------|-----------------------------|
| | <u>Due within 30 days</u> | <u>Due between 31 and 60 days</u> | <u>Due between 61 and 90 days</u> | <u>Due over 91 days</u> |
| Trade Debtors | 1.460 | - | - | - |

(iii) Market risk

Market risk is primarily related to foreign currency exchanges rates. Foreign currency risk arises from the exposure to exchange rate fluctuations. The Group is exposed to British Pounds ("GBP"), Russian Rubles ("RUB") and United State Dollars ("USD"). Currently there are no currency forwards, options or swaps to hedge this exposure as the Group is in development face and the Management is committed in funding all projects. The Board of Managers are managing the risk by reviewing the monthly cash-flow forecasts and financing the various entities of the group with the necessary operating cash-flow on a monthly basis.

The following table shows the fluctuation of the main currencies the Group is using against Euro:

| | 2018 | 2017 (unaudited) |
|---------|-------------|----------------------------|
| EUR/USD | (3,72%) | (3,07%) |
| EUR/GBP | (1,17%) | (6,45%) |
| EUR/RUB | (12,08%) | 9,73% |

The operational foreign exchange gains and losses incurred to the Group are:

| <i>In thousands of euro</i> | 2018 | 2017 (unaudited) |
|-----------------------------|----------------|----------------------------|
| <u>Gains</u> | | |
| Russia | 1.090 | 159 |
| UK | 242 | 76 |
| Other countries | <u>13</u> | <u>5</u> |
| | <u>1.345</u> | <u>240</u> |
| <u>Losses</u> | | |
| Russia | (1.110) | (247) |
| UK | (431) | (702) |
| Other countries | <u>(4.867)</u> | <u>(8)</u> |
| | <u>(6.408)</u> | <u>(957)</u> |

B. Capital Management

The Board of Managers policy is to secure the Group as a going concern and finance its long-term growth. The Board of Managers have successfully re-negotiated the terms and conditions of the loan which ensure the day to day operations of the Group. It is management intention that several of our development projects will be finalised and put into production within the next couple of years and at the same time we see a big interest for investors to join our effort in producing innovating products.

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

5. NON-FINANCIAL RISK MANAGEMENT

The Group is exposed to the following non-financial risks:

1. Operational risk
2. Compliance risk
3. Legal risk

Operational risk

Operational risk is the risk derived from the weakness of information technology systems and controls as well as the risk from human error and natural disaster. This risk is limited through continuous evaluation and upgrade of the current systems and controls.

Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with the laws and regulations in the countries we operate. This risk is limited due to the supervision exercised by the Legal Officer as well as by the processes and procedures applied by the Group

Legal risk

Legal risk is the risk of financial loss, the discontinuation of the operations of companies of the Group and the Group or any other negative situation arising from the possibility of non-execution or violation of legal contracts resulting in lawsuits. This risk is limited as the only significant contracts the Group has are the lease contracts (see note 22).

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

6. PROPERTY, PLANT AND EQUIPEMENT

| | Plant and Equipment | Furniture and fittings | Motor Vehicles | Leasehold improvements | Assets under development | Prototypes | TOTAL |
|-------------------------------------|------------------------|---------------------------|-------------------|---------------------------|--------------------------------|--------------|----------------|
| <i>In thousands of euro</i> | | | | | | | |
| Cost | | | | | | | |
| At January 1 st , 2018 | 6.042 | 946 | 139 | 32 | 1.979 | - | 9.138 |
| Additions | 2.066 | 466 | 595 | - | 1.112 | 5.816 | 10.055 |
| Reclassification | 6.675 | - | - | - | (1.605) | (5.221) | (151) |
| Foreign exchange differences | <u>(278)</u> | <u>(12)</u> | <u>(7)</u> | <u>-</u> | <u>(11)</u> | <u>(5)</u> | <u>(313)</u> |
| At December 31 st , 2018 | <u>14.505</u> | <u>1.400</u> | <u>727</u> | <u>32</u> | <u>1.475</u> | <u>590</u> | <u>18.729</u> |
| Depreciation/impairment | | | | | | | |
| At January 1 st , 2018 | (856) | (131) | (29) | (6) | - | - | (1.022) |
| Depreciation | (1.894) | (290) | (109) | (1) | - | (624) | (2.918) |
| Reclassification | (444) | - | - | - | - | 258 | (186) |
| Impairment | - | - | - | - | - | (114) | (114) |
| Foreign exchange differences | <u>83</u> | <u>4</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>4</u> | <u>92</u> |
| At December 31 st , 2018 | <u>(3.111)</u> | <u>(417)</u> | <u>(137)</u> | <u>(7)</u> | <u>-</u> | <u>(476)</u> | <u>(4.148)</u> |
| Net book Value | | | | | | | |
| At January 1 st , 2018 | <u>5.186</u> | <u>815</u> | <u>110</u> | <u>26</u> | <u>1.979</u> | <u>-</u> | <u>8.116</u> |
| At December 31 st , 2018 | <u>11.392</u> | <u>983</u> | <u>590</u> | <u>25</u> | <u>1.475</u> | <u>114</u> | <u>14.581</u> |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

6. PROPERTY, PLANT AND EQUIPMENT (continued)

| <i>In thousands of euro</i> | Plant and Equipment | Furniture and fittings | Motor Vehicles | Leasehold improvements | Assets under development | TOTAL |
|-------------------------------------|--------------------------------|-----------------------------------|---------------------------|-----------------------------------|-------------------------------------|----------------|
| Cost | | | | | | |
| At January 1 st , 2017 | 1.850 | 673 | 75 | 33 | 2.005 | 4.636 |
| (unaudited) | | | | | | |
| Additions | 4.375 | 303 | 68 | - | - | 4.746 |
| Foreign exchange differences | <u>(183)</u> | <u>(30)</u> | <u>(4)</u> | <u>(1)</u> | <u>(26)</u> | <u>(244)</u> |
| At December 31 st , 2017 | | | | | | |
| (unaudited) | <u>6.042</u> | <u>946</u> | <u>139</u> | <u>32</u> | <u>1.979</u> | <u>9.138</u> |
| Depreciation/impairment | | | | | | |
| At January 1 st , 2017 | | | | | | |
| (unaudited) | (351) | (71) | (25) | (3) | - | (450) |
| Depreciation | (491) | (71) | (4) | (3) | - | (569) |
| Impairment | - | - | - | - | - | - |
| Foreign exchange differences | <u>(14)</u> | <u>11</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3)</u> |
| At December 31 st , 2017 | | | | | | |
| (unaudited) | <u>(856)</u> | <u>(131)</u> | <u>(29)</u> | <u>(6)</u> | <u>-</u> | <u>(1.022)</u> |
| Net book Value | | | | | | |
| At January 1 st , 2017 | | | | | | |
| (unaudited) | <u>1.499</u> | <u>602</u> | <u>50</u> | <u>30</u> | <u>2.005</u> | <u>4.186</u> |
| At December 31 st , 2017 | | | | | | |
| (unaudited) | <u>5.186</u> | <u>815</u> | <u>110</u> | <u>26</u> | <u>1.979</u> | <u>8.116</u> |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

7. INTANGIBLE ASSETS AND GOODWILL

| <i>In thousands of euro</i> | Goodwill | Assets under construction | Patent, trademarks and other rights | Software | TOTAL |
|-------------------------------------|----------------|---------------------------|-------------------------------------|--------------|-----------------|
| Cost | | | | | |
| At January 1 st , 2018 | 3.802 | 56.735 | 297 | 776 | 61.610 |
| Additions | 2 | 19.029 | 169 | 497 | 19.697 |
| Reclassification | - | - | 130 | 21 | 151 |
| Foreign exchange differences | - | (764) | (6) | (11) | (781) |
| At December 31 st , 2018 | <u>3.804</u> | <u>75.000</u> | <u>590</u> | <u>1.283</u> | <u>80.677</u> |
| Amortisation/impairment | | | | | |
| At January 1 st , 2018 | (3.802) | (6.842) | (57) | (345) | (11.046) |
| Amortisation | - | - | (51) | (313) | (364) |
| Reclassification | - | 186 | - | - | 186 |
| Impairment | (2) | (28.379) | - | - | (28.381) |
| Foreign exchange differences | - | 340 | 1 | 5 | 346 |
| At December 31 st , 2018 | <u>(3.804)</u> | <u>(34.695)</u> | <u>(107)</u> | <u>(653)</u> | <u>(39.259)</u> |
| Net book Value | | | | | |
| At January 1 st , 2018 | - | 49.893 | 240 | 431 | 50.564 |
| At December 31 st , 2018 | - | <u>40.305</u> | <u>483</u> | <u>630</u> | <u>41.418</u> |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

7. INTANGIBLE ASSETS AND GOODWILL (continued)

| <i>In thousands of euro</i> | Goodwill | Assets under construction | Patent, trademarks and other rights | Software | TOTAL |
|------------------------------------------|----------------|---------------------------|-------------------------------------|--------------|-----------------|
| Cost | | | | | |
| At January 1 st , 2017 | | | | | |
| (unaudited) | 3.802 | 19.920 | 264 | 386 | 24.372 |
| Additions | - | 37.341 | 42 | 430 | 37.813 |
| Foreign exchange differences | - | (1.115) | (9) | (40) | (1.164) |
| Acquisition through business combination | - | 589 | - | - | 589 |
| At December 31 st , 2017 | | | | | |
| (unaudited) | <u>3.802</u> | <u>56.735</u> | <u>297</u> | <u>776</u> | <u>61.610</u> |
| Amortisation/impairment | | | | | |
| At January 1 st , 2017 | | | | | |
| (unaudited) | (3.802) | (4.524) | (24) | (113) | (8.463) |
| Amortisation | - | (2.545) | (34) | (243) | (277) |
| Impairment | - | 227 | - | - | (2.545) |
| Foreign exchange differences | - | 227 | 1 | 11 | 239 |
| At December 31 st , 2017 | | | | | |
| (unaudited) | <u>(3.802)</u> | <u>(6.842)</u> | <u>(57)</u> | <u>(345)</u> | <u>(11.046)</u> |
| Net book Value | | | | | |
| At January 1 st , 2017 | | | | | |
| (unaudited) | - | <u>15.396</u> | <u>240</u> | <u>273</u> | <u>15.909</u> |
| At December 31 st , 2017 | | | | | |
| (unaudited) | - | <u>49.893</u> | <u>240</u> | <u>431</u> | <u>50.564</u> |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

8. INVESTMENT IN ASSOCIATE COMPANIES

In thousands of euro

| | 2018 | 2017 (unaudited) |
|------------------------------------------|---------------------|----------------------------|
| January 1 st | - | - |
| Acquisition of net equity | 3.259 | - |
| Share of losses for the year after taxes | (94) | - |
| December 31st | <u>3.165</u> | <u>-</u> |

| Associated companies | Total issued share capital No. of shares | Percentage of shares with voting rights | | Calculation method |
|----------------------------------|---------------------------------------------|-----------------------------------------|------|--------------------|
| | | 2018 | 2017 | |
| Absolutely No Nonsense Admin Ltd | 24.741.183 | 24,641% | - | Net Position |

On December 21st, the Group has purchased 24,641% in Absolutely No Nonsense Admin Ltd, a mobile business account provider that provides admin support and tax reminders. The following table summarises the financial position of Absolutely No Nonsense Admin Ltd. The information for 2018 presented in the table includes the results of Absolutely No Nonsense Admin Ltd for the period December 21st, 2018 to December 31st, 2018

Summarized financial information for associates

In thousands of euro

| | 2018 |
|-------------------------------------------------------------|----------------------|
| Summarised Profit or Loss | |
| Turnover | - |
| Losses for the year before tax | (383) |
| Taxation | - |
| Losses for the year after tax | (383) |
| Total comprehensive expense for the year | <u>(383)</u> |
| Group share of total comprehensive expense (24,641%) | <u>(94)</u> |
| Summarised financial position | |
| Non-current assets | 14.715 |
| Current assets | 8.992 |
| Non-current liabilities | - |
| Current liabilities | (80) |
| Total net assets (100%) | <u>23.627</u> |
| Group's share of net assets (24,641%) | 5.822 |
| Elimination of intercompany transactions | (6.219) |
| Pre-acquisition losses | 3.562 |
| Carrying amount of interest in associate | <u>3.165</u> |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

9. TRADE AND OTHER RECEIVABLES

A. Non-Current Trade and other receivables

| <i>In thousands of euro</i> | 2018 | 2017 (unaudited) |
|---------------------------------|---------------------|----------------------------|
| Loans receivable | 2.497 | 1.759 |
| Other | 5 | - |
| Cash Guarantees and deposits | <u>2.955</u> | <u>3.196</u> |
| Total | <u>5.457</u> | <u>4.955</u> |

(i) Loan receivable

Loans receivable are amounts due by Thor Motors UAB. The loan to Thor Motors UAB amounts to EUR 5.986 (2017: EUR 1.759), which bears 3% interest and has a maturity date on May 11th, 2020. The loan to Thor Motors UAB has been impaired by EUR 3.489.

(ii) Cash Guarantees and Deposits

Cash guarantees and deposits are amounts that some companies of the Group have deposited in an escrow accounts in order to obtain the lease and/or to get the services required by third parties.

B. Current Trade and other receivables

| <i>In thousands of euro</i> | 2018 | 2017 (unaudited) |
|-----------------------------|---------------------|----------------------------|
| VAT receivable | 756 | 2.777 |
| Grants receivable | 3.710 | 525 |
| Trade debtors | 334 | 1.460 |
| Deferred charges | 96 | 362 |
| Other receivables | <u>4.234</u> | <u>3.175</u> |
| Total | <u>9.130</u> | <u>8.299</u> |

Other receivable mainly corresponds to the purchase price receivable in relation to the sale of K Networks S.à r.l. which incurred in 2017 amounting to EUR 3.141 (USD 3.763) and of a loan that has been provided to ADA Innovation Lap Ltd for an amount of EUR 56. The receivable in relation to the sale of K Networks S.à r.l. was payable at the end of 2018. The amount due has been extended to December 31st, 2019.

Trade Debtors is mainly composed of amounts due from Thor Motors UAB for an amount of EUR 302 (2017: EUR 879).

Government grants relate to refunds that the Group can obtain from the UK Government due to the R&D incentive program (see note 3 for accounting policy)

10. INVENTORY

| <i>In thousands of euro</i> | 2018 | 2017 (unaudited) |
|-------------------------------|---------------------|----------------------------|
| Raw materials and consumables | 1.421 | 644 |
| Work in progress | 34 | 1.114 |
| Inventory | <u>1.455</u> | <u>1.758</u> |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

11. CASH AND CASH EQUIVALENTS

In thousands of euro

| | Note | 2018 | 2017 (unaudited) |
|------------------------------------------|------|---------------------|---------------------|
| Bank balances of continued operations | | 2.589 | 8.476 |
| Call deposits | | 18 | - |
| Bank balances of discontinued operations | 16 | - | 10 |
| Total of cash and cash equivalent | | <u>2.607</u> | <u>8.486</u> |

12. CAPITAL AND RESERVES

A. Share Capital

In thousands of shares

| | 2018 | 2017 (unaudited) |
|----------------------------------|-----------|---------------------|
| Authorised | | |
| 16 Ordinary Shares of EUR 1 each | <u>16</u> | <u>16</u> |
| Issued and fully paid | | |
| 16 Ordinary Shares of EUR 1 each | <u>16</u> | <u>16</u> |

The Company was incorporated on October 3rd, 2014 with an issued and fully paid up share capital of EUR 12.500,00 represented by 500 ordinary shares of a nominal value of EUR 25,00 each.

On July 3rd, 2015, the sole shareholder decided to (i) cancel the nominal value of the shares; (ii) convert the currency of the share capital from EUR to USD in order to bring the subscribed capital from EUR 12.500,00 to USD 13.971,25; (iii) increase the share capital by an amount of USD 1.028,75 by a contribution in cash; (iv) restate the number of shares to bring it from 500 to 1.500 and fix the nominal value to USD 10,00 per share; (v) increase the share capital by an amount of USD 5.000,00 by the issuance of 500 additional shares of a nominal value of USD 10,00 each.

On January 22nd, 2018, with effect as at December 31st, 2017, the sole shareholder decided to (i) cancel the nominal value of the shares; (ii) convert the currency of the share capital from USD to EUR in order to bring the subscribed capital from USD 20.000,00 to EUR 16.000,00; (iii) allocate EUR 694,00 to the share premium as a result of such change of currency; (iv) and exchange the existing 2.000 shares without par value against 16.000 shares with a nominal value of EUR 1,00 each.

As at December 31st, 2018, the subscribed and fully paid up share capital amounting to EUR 16.000,00 is represented by 16.000 ordinary shares of a nominal value of EUR 1,00 each.

B. Share Premium

In thousands euro

| | Share Premium | Total |
|-------------------------------------------------|---------------|------------|
| January 1st, 2017 (unaudited) | 335 | 335 |
| Movements for the year | - | - |
| December 31 st , 2017 (unaudited) | <u>335</u> | <u>335</u> |
| January 1st 2018 (unaudited) | 335 | 335 |
| Movements for the year | - | - |
| December 31 st , 2018 | <u>335</u> | <u>335</u> |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

12. CAPITAL AND RESERVES (continued)

C. OCI accumulated in reserves, net of tax

| | Translation reserves | Total |
|---------------------------------------------------------------|-----------------------------|---------------------|
| <i>In thousands of euro</i> | | |
| January 1st, 2017 (unaudited) | (5.434) | (5.434) |
| Foreign operations – foreign currency translation differences | <u>10.858</u> | <u>10.858</u> |
| December 31st, 2017 (unaudited) | <u>5.424</u> | <u>5.424</u> |
| Foreign operations – foreign currency translation differences | <u>(587)</u> | <u>(587)</u> |
| December 31st 2018 | <u>4.837</u> | <u>4.837</u> |

13. LOANS AND BORROWINGS

| | 2018 | 2017 (unaudited) |
|--------------------------------|----------------|----------------------------|
| <i>In thousands of euro</i> | | |
| Non-current liabilities | | |
| Loans | <u>228.700</u> | <u>-</u> |
| Current liabilities | | |
| Loans | <u>-</u> | <u>140.560</u> |

The loans are analysed as follows:

| | 2018 | 2017 (unaudited) |
|---------------------------------------|-----------------------|----------------------------|
| <i>In thousands of euro</i> | | |
| Non-current liabilities | | |
| Balance as of January 1 st | - | - |
| Interest for the year | 16.603 | - |
| New loans | 40.300 | - |
| Assignment of loans | <u>171.797</u> | <u>-</u> |
| Total bank loan | <u>228.700</u> | <u>-</u> |

| | 2018 | 2017 (unaudited) |
|-------------------------------------------|------------------|----------------------------|
| <i>In thousands of euro</i> | | |
| Current liabilities | | |
| Balance as of January 1 st | 140.560 | 86.330 |
| Interest for the year | 2.148 | 2.981 |
| New loans | 24.400 | 82.572 |
| Repayment of loans | - | (19.935) |
| Foreign exchange differences | 4.689 | (11.388) |
| Assignment of loans | <u>(171.797)</u> | <u>-</u> |
| Total current loans and borrowings | <u>-</u> | <u>140.560</u> |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

13. LOANS AND BORROWINGS (continued)

| | Currency | Nominal interest rate | Year of Maturity | 2018 | | 2017 | |
|-------------------------------------------|----------|-----------------------------|---------------------|----------------|--------------------|----------------|--------------------|
| <i>In thousands of euro</i> | | | | Face value | Carrying amount | Face value | Carrying amount |
| Unsecured bank loan | USD | 3% | 2018 | - | - | 138.753 | 138.753 |
| Unsecured bank loan | EUR | 17% | 2021 | 228.700 | 228.700 | - | - |
| Unsecured bank loan | USD | 3% | 2018 | - | - | 1.807 | 1.807 |
| Total interest-bearing liabilities | | | | 228.700 | 228.700 | 140.560 | 140.560 |

In 2017, the Company had a credit facility agreement with Telconet Capital LP ("Telconet"). The principal amount due to Telconet as of December 31st, 2017 was USD 162.732 (the equivalent of EUR 135.833) and the accrued interest for 2017 was USD 3.497 (the equivalent of EUR 2.920).

Arrival Ltd has received advances in amount of USD 2.072 (EUR 1.726) from Marsfield Automotive Inc ("Marsfield") in 2017. For these advances it has been agreed that the total amount due would be converted into a loan with a 3% interest rate with maturity in 2018. The amount due as of December 31st, 2017 was USD 2.072 (the equivalent of EUR 1.798) of principal amount and USD 10 (the equivalent of EUR 9) of accrued interest.

The Company had an interest bearing loan with Gemcorp Fund I Ltd amounting to USD 22.000. This loan and its accrued interest of USD 611 have been repaid during 2017.

On June 28th, 2018, the Company has entered into a new credit facility agreement with Longspeed Investments Limited ("Longspeed"). It has been agreed between the various parties that the loan between the Company and Telconet as well as the loan with Marsfield, as detailed above, will be assigned to Longspeed and form part of this new credit facility agreement up to EUR 400.000, having maturity December 2021 and an interest rate of 17%. The assignment of Telconet loan was EUR 164.007 of principal amount and EUR 5.981 of interest. The assignment of loan from Marsfield was EUR 1.774 of principal amount and EUR 35 of accrued interest.

14. INCOME TAXES

A. Amounts recognised in profit or loss

| | Note | 2018 | 2017 (unaudited) |
|---------------------------------------------------------------|------|--------------|---------------------|
| <i>In thousands of euro</i> | | | |
| Current tax expense | | | |
| Current year | | (158) | (190) |
| Other taxes | | (35) | (31) |
| | | (193) | (221) |
| Deferred tax expense | | | |
| Relating to origination and reversal of temporary differences | | 1.114 | 25 |
| Other deferred tax expense | | (36) | (507) |
| | | 1.078 | (482) |
| Tax expense on continuing operations | | 885 | (703) |
| Deferred taxes from discontinued operations | | - | 13 |
| Tax received from discontinued operations | 19 | 10 | - |
| Tax income/(expense) | | 895 | (690) |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

14. INCOME TAXES (continued)

B. Deferred tax balances

| | 2018 | 2017 (unaudited) |
|-------------------------------|-------------|----------------------------|
| <i>In thousands of euro</i> | | |
| Asset | | |
| Depreciation and amortisation | 6 | 4 |
| Accruals | 40 | 38 |
| Tax losses | 56 | - |
| Other | 15 | 18 |
| | <u>117</u> | <u>60</u> |
| Liabilities | | |
| Depreciation and amortisation | 42 | - |
| Fixed assets | 8 | 1.066 |
| | <u>50</u> | <u>1.066</u> |

C. Unrecognised deferred tax assets

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom

| | 2018 | | 2017 (unaudited) | |
|-----------------------------|--------------|------------|----------------------------|------------|
| <i>In thousands of euro</i> | Gross amount | Tax effect | Gross amount | Tax effect |
| Tax losses | 144.832 | 29.424 | 51.574 | 10.279 |

D. Tax losses carried forward

Tax losses for which no deferred tax asset was recognized and expire as follows:

| | 2018 | Expiry date | 2017 (unaudited) | Expiry date |
|-----------------------------|-------------|--------------------|----------------------------|--------------------|
| <i>In thousands of euro</i> | | | | |
| Expire | 144.634 | 2019-2036 | 51.574 | 2018-2035 |

E. Reconciliation of effective tax rate

| | 2018 | | 2017 (unaudited) | |
|-------------------------------------------------------------------|-------------|-----------------|----------------------------|-----------------|
| <i>In thousands of euro</i> | | | | |
| Loss before tax from continuing operations | | (88.965) | | (35.085) |
| Tax rate using the Company's domestic tax rate | 26,01% | (23.140) | 27,08% | (9.501) |
| Reduction in tax rate | - | - | (0,56%) | 196 |
| Effect of tax rates in foreign jurisdictions | (8,23%) | 7.323 | (5,44%) | 1.910 |
| Tax incentives | 3,59% | (3.191) | - | - |
| Tax exempt income | 0,003% | (2) | 1,42% | (499) |
| Non-deductible expenses | (3,22%) | 2.865 | (3,17%) | 1.111 |
| Current year losses for which no deferred tax asset is recognised | (20,33%) | 18.085 | (18,76%) | 6.581 |
| Recognition of previously unrecognized tax losses | 0,08% | (52) | | |
| Changes in estimates related to prior years | (1,17%) | (1.038) | 1,52% | (532) |
| Other domestic taxes (minimum tax payments) | (0,04%) | <u>35</u> | (0,09%) | <u>31</u> |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

| | | |
|------------------------------------|-------------------|---------------------|
| Income tax income/(expense) | <u>885</u> | <u>(703)</u> |
|------------------------------------|-------------------|---------------------|

14. INCOME TAXES (continued)

E. Tax impact of the UK giving notice to withdraw from the EU

On March 29th, 2017, the UK government invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the EU. There is an initial two-year timeframe for the UK and EU to reach an agreement on the withdrawal and the future UK and EU relationship, although this timeframe can be extended. At this stage, there is significant uncertainty about the withdrawal process, its timeframe and the outcome of the negotiations about the future arrangements between the UK and the EU. As a result, there is still significant uncertainty over the period for which the existing EU laws for member states will continue to apply to the UK and which laws will apply to the UK after an exit. Following the negotiations between the UK and the EU, the UK's tax status may change and this may impact the Group. However, at this stage the level of uncertainty is such that it is impossible to determine if, how and when that tax status will change.

15. TRADE AND OTHER PAYABLES

| | 2018 | 2017 (unaudited) |
|-------------------------------------|---------------------|----------------------------|
| Current liabilities | | |
| Trade payables | 4.128 | 7.353 |
| Other payables and accrued expenses | <u>2.483</u> | <u>1.439</u> |
| | <u>6.611</u> | <u>8.792</u> |

16. ASSETS AND LIABILITIES OF DISCONTINUED OPERATIONS

In 2017 the Board of Managers have decided to dissolve Arrival One Ltd, Kinetik UK Ltd and to sell ADA Innovation Lap Ltd. The assets and liabilities of these entities are presented separately from continuing operations.

In thousands of euro

| | 2018 | 2017 (unaudited) |
|----------------------------------|-----------------|----------------------------|
| Trade and other receivables | - | 154 |
| Cash and cash equivalent | <u>-</u> | <u>10</u> |
| Assets held for sale | <u>-</u> | <u>164</u> |
| Trade and other payables | <u>-</u> | <u>30</u> |
| Liabilities held for sale | <u>-</u> | <u>30</u> |

17. INCOME AND EXPENSES

In thousands of euro

| | 2018 | 2017 (unaudited) |
|-----------------------------|---------------------|----------------------------|
| A. Other income | | |
| Government grants | 4.361 | 532 |
| Sale of cars | - | 379 |
| Other income | <u>54</u> | <u>27</u> |
| Total other income | <u>4.415</u> | <u>938</u> |
| B. Other expenses | | |
| Other | <u>(32)</u> | <u>-</u> |
| Total other expenses | <u>(32)</u> | <u>-</u> |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

17. INCOME AND EXPENSES (continued)

In thousands of euro

| | 2018 | 2017 (unaudited) |
|------------------------------------------|------------------------|------------------------|
| C. Expenses by nature | | |
| Depreciation/amortisation | (3.282) | (846) |
| Impairment of tangible/intangible assets | (28.495) | (2.545) |
| Sponsorship | (1.553) | (1.365) |
| Advertising | | (968) |
| Marketing | (767) | (925) |
| Travel expenses and accommodation | (2.166) | (1.826) |
| Legal fees | (562) | (293) |
| Rent and property utilities | (3.398) | (2.139) |
| Consultancy fees | (2.186) | (1.920) |
| Wages and Salaries | (11.602) | (6.074) |
| Contractors | (4.794) | (1.476) |
| Recruitment fees | (697) | (540) |
| Postages and carriage | (572) | (496) |
| Accounting fees | (414) | (159) |
| Audit | (300) | (142) |
| Testing | (517) | (1.013) |
| Meals and Subsistence | (713) | (367) |
| Consumables | (2.006) | (1.605) |
| Other | (1.852) | (8.060) |
| Total expenses by nature | <u>(65.876)</u> | <u>(32.759)</u> |

18. FINANCE COST

In thousands of euro

| | 2018 | 2017 (unaudited) |
|-----------------------------------------|------------------------|-----------------------|
| Finance income | | |
| Interest received | 127 | 25 |
| Gain on disposal of subsidiary | 9 | 654 |
| Unleaslied foreign exchange differences | 136 | 17 |
| Realised foreign exchange differences | 1.209 | 223 |
| Total finance income | <u>1.481</u> | <u>919</u> |
| Finance cost | | |
| Other charges | (187) | (241) |
| Interest payable | (18.751) | (2.981) |
| Impairment of loan receivable | (3.522) | - |
| Unleaslied foreign exchange differences | (10) | (30) |
| Realised foreign exchange differences | (6.389) | (931) |
| Total finance cost | <u>(28.859)</u> | <u>(4.183)</u> |

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

19. DISCONTINUED OPERATIONS

In thousands of euro

| | 2018 | 2017 (unaudited) |
|------------------------------------------|--------------------|---------------------|
| Administration expenses | (19) | (425) |
| Other operating expenses | - | (7) |
| Net finance cost/income | (9) | 330 |
| Result from operating activities | <u>(28)</u> | <u>(102)</u> |
| Tax received | 10 | 13 |
| Result of discontinued operations | <u>(18)</u> | <u>(89)</u> |

20. RELATED PARTY TRANSACTIONS

The Group's related parties include any subsidiaries or entities under significant influence of Kinetik S.à r.l., key management personnel and shareholder. The Group did not have any transactions with companies outside the Group.

21. Personnel

Average number of employees

| | 2018 | 2017 (unaudited) |
|-----------------|-------------------|---------------------|
| UK | 161 | 60 |
| Russia | 157 | 66 |
| Other countries | 5 | 1 |
| | <u>323</u> | <u>127</u> |
| White collar | 28 | 25 |
| Blue collar | 295 | 102 |
| | <u>323</u> | <u>127</u> |

In thousands of euro

| | Personnel cost | |
|-----------------|-----------------------|----------------------|
| | 2018 | 2017 (unaudited) |
| UK | 16.343 | 9.139 |
| Russia | 7.032 | 2.672 |
| Other countries | 1.226 | 183 |
| | <u>24.601</u> | <u>11.994</u> |

The personnel cost is presented grossed up as several wages and salaries are capitalised as part of our cost for the development projects.

Kinetik S.à r.l.

Notes to the consolidated financial statements

For the year ended December 31st, 2018

22. Operating leases

The Group leases a number of premises under operating leases. The leases vary from 11 months to 15 year. At December 31st, the future minimum lease payments under non-cancellable leases were payable as follows:

| <i>In thousands of euro</i> | 2018 | 2017 (unaudited) |
|---------------------------------|----------------------|----------------------------|
| Less than one year | 1.516 | 1.100 |
| Between one year and five years | 5.374 | 3.437 |
| More than five years | <u>5.554</u> | <u>7.171</u> |
| | <u>12.444</u> | <u>11.708</u> |

23. Subsequent events

On April 24th, 2019, K Health S.à r.l. has purchased the remaining 30% of Tatakoto Company Ltd from Greenwich International Capital Ltd for an amount of EUR 900.

On April 26th, 2019 the Company has entered into a short-term unsecured term facility agreement with Gemcorp Holdings Ltd for an amount of EUR 10.000. The facility is repayable on November 29th, 2019 and it bears 9% interest per annum.

On April 30th, 2019, Arrival Ltd entered into a ten-year rental lease agreement for Ground Floor & Third Floor Beaumont House, Kensington Village, Avonmore Road, London W14 8TS.

On May 23rd, 2019, the Company and Gemcorp Holdings Ltd have entered into an amendment and restatement agreement in relation to the above-mentioned unsecured term facility agreement. The amended agreement increased the facility to EUR 20.000.

On May 31st, 2019, Charge Automotive Ltd entered into a new lease for its manufacturing facility at Unit 360 Stockley Close, West Drayton, UB7 9BL. The lease term is set for 10 years from May 2019 to May 2029.

Arrival Automotive Inc has entered into a lease agreement on June 5th, 2019. The lease is for a period of 123 months. As part of the lease agreement, a security deposit of USD 2.242 has been made. The annual average lease payment for this building is USD 1.344.

On June 18th, 2019, the Company and Gemcorp Holdings Ltd have entered into a new amendment and restatement agreement in relation to the unsecured term facility agreement. The amended agreement increased the facility to EUR 28.500.

On June 20th, 2019 K Cybernation S.à r.l. has provided a credit facility to KeyArk Inc for an amount of up to USD 6.000.

During 2019, the Company has withdrawn from the credit facility an additional amount of EUR 66.151.

The Company has signed a subscription and shareholder agreement in 2019 for buying an additional 0,47% of Absolutely No-Nonsense Admin Ltd for an amount of GBP 1.499

Members Report – Kinetik S.à r.l. – Year ended 31 December 2018

Dear Members, we report on the Kinetik Sarl (the Group) or (the Group's) achievements for the year ended 31 December 2018 as follows:

Arrival S.à r.l. (the "Arrival" or the "Arrival Division" together with its subsidiaries)

Arrival S.à r.l. holds investments in entities involved with the research, development and design of electric vehicles including trucks, buses and other commercial vehicles with autonomous driving features.

In 2018, the Arrival Ltd extended its activities in creating micro technologies and incorporating these into its core components and vehicle designs. 2018 saw the creation of steer by wire systems, an innovative cost-efficient traction inverter system and a unique high voltage battery module, together with a ground-breaking flexible battery connection.

Arrival Ltd continued to work closely with its key potential customers operating vehicles at Royal Mail and UPS depots in London. This enabled the real-life testing of the company's components and software together with the acquisition of significant quantities of operational data and duty cycle information. Both customers have been engaged in providing product feedback and involved in the ongoing design process. The feedback so far has been very positive and resulted in UPS signing a letter of intent for 35 Arrival Vans to be operated in their London and Paris operations, in 2020.

During the year Arrival Ltd continued to work on 3 main vehicle projects, the Arrival Van product was taken to complete vehicle concept status and an initial prototype chassis was produced for testing and validation of the chassis and vehicle systems. The Arrival Bus project had its first prototype build completed and extensive testing of the driveline components, structure and software systems has been completed. The company also progressed with its P1 concept for a lightweight low cost EV taxi for developing markets and this culminated in the advanced design of the chassis structure for the project.

Arrival Ltd advanced artificial intelligence software continued to be developed providing race ready software for the group's sister company Roborace, including software features to allow the car to drift. Further development of vehicle advanced driving systems and safety features were also developed through the continuing Innovate UK funded project Robopilot. Arrival Ltd software expertise was further recognised in a successful collaborative project working with a UK supercar manufacturer to develop an option of an Augmented Reality Autonomous Race Instructor for their cars, this software will allow a driver to come to any track and turn the special mode on the vehicle. It scans the track, builds the map and calculates the perfect racing trajectory. Then in augmented reality mode the driver drives his supercar and sees the map, the trajectory and the vehicle suggest where to accelerate, decelerate, turn more aggressively and so on, to improve his driving skills.

Arrival Ltd continued to develop its robotic assembly concept installing further robot arms at the Banbury site and also carrying out testing of the autonomous mobile robots design in partnership with TRA Robotics Ltd and TRA Robotics LLC.

In readiness for future production, Arrival Division started to identify global markets for its products and working with the UK department for International Trade has been identifying suitable sites for global expansion of production once the developed vehicles are ready.

In addition to truck, bus and passenger vehicles, Arrival Jet Ltd has been involved in the design and development of an autonomous transport unit based on fully electric components. This is a new type of vehicle which will address logistics and eventually passenger travel in a new way. The research and development efforts have been centred around custom design and build of hardware components, power electronics and motors to increase efficiency of the Autonomous Aerial Vehicle. This vehicle consists of 3 principal systems, being a flying unit, a pod and a ground unit. In the year ending 31 December 2019 and beyond, additional prototype flying units having vertical take-off and landing characteristics and flying at altitude in aircraft mode will be built and tested. Prior to 2019, all research has been undertaken within a closed secure environment.

The future of passenger drones remains uncertain since this technology is so new. We believe the innovation in aerial vehicle technology, and in aerial traffic coordination, control, and collision-avoidance could result in rapid

proliferation of these vehicles for human use. We now see more and more companies exploring the use of passenger drones as air-taxis, air-ambulance services and for logistics. Passenger drone developers are working to overcome the many challenges, including noise, small useful load, short flight times, airspace regulations, and scarce data on both safety and general operations.

Arrival Jet Ltd plans include the robotic manufacture of the aerial vehicles and autonomous pilot. Once all the safety, airspace regulation and other issues have become clearer, we will set out our strategy to commercialise our autonomous aerial vehicle technology.

Charge Automotive S.à r.l. (the "Charge" or the "Charge Division" together with its subsidiaries)

Development of the Charge Electric Mustang continued through the year. In July 2018, Charge Automotive Ltd debuted its new electric Ford Mustang at the Goodwood Festival of Speed. The UK company will produce 499 battery-powered examples of the iconic muscle car, using officially licensed 1960s-style bodyshells. Prices will start at £300,000 and some orders have already been received. 50 Cars will be manufactured in 2020.

The electric Mustang's part-time four-wheel drive powertrain is supplied by Arrival Ltd. It's range is 200 miles and is capable of 50kW DC charging.

We see a growing interest in zero-emissions classic cars. California-based Zero Labs recently revealed a retro-inspired electric Ford Bronco, while mainstream manufacturers Aston Martin and Jaguar have begun producing converted versions of their iconic DB6 Volante and E-Type sports cars.

Happy Electron S.à r.l. (the "HE" or the "HE Division" together with its subsidiaries)

Happy Electron S.à r.l. oversees a number of different entities exploring different battery technologies all with the purpose of substantially increasing the energy to weight ratio of existing batteries. All activities within the HE Division represent research at present with any future commercialisation 5 - 10 years away. However, the Board of Managers believes that all efforts are going well.

K Fintech S.à r.l.

K Fintech S.à r.l. acquired an interest of 24.641% in Absolutely No Nonsense Admin Ltd (ANNA) for €9.413.819 million on 21 December 2018. Technically ANNA is not a bank, but instead a combination of a business current account, debit card, app and a hybrid human and AI service that helps small businesses manage their invoicing and payments.

K Health S.à r.l. (the "K Health" or the "K Health Division" together with its subsidiaries)

K Health Division development work continued on a B 2 B self-testing blood / urine device and application with over 100 measurements now possible with the device, in process of trademark as Igloo.

Existing Lateral Flow based (LF-based) tests allow for the detection and measurement of a variety of biomarkers, pathogens, mycotoxins, nucleic acid detection products and are widely used in medical, consumer, drug abuse diagnostics for food, agriculture and environmental testing.

Easy to use and commercially available LF-based tests allow for the replacement of lab-based testing with decentralized testing locations — such as Points of Care or even home-based testing.

The accuracy of LF-based tests can be boosted with LF-devices presented in different commercial segments, starting from laboratory class devices with a \$2K+ cost to low-cost research only smartphone-based solutions.

Key Product Features of Igloo will be Universal platform for Point of Care for application within the home and veterinary with white label option for reader and software available. Prototypes of the Igloo reader are currently being assembled and tested.

K Remy Robotics S.à r.l. the "Remy" or the "Remy Division" together with its subsidiaries)

Remy Division is involved in the research and development of robotics applications within the food preparation industry. Currently the initial focus is on automated pizza production.

K Robolife S.à r.l. (the "Robolife" or the "Robolife Division" together with its subsidiaries)

Robolife Division held assets within autonomous racing championship and an education platform in Robotics. Throughout the reporting period, these entities were involved with research, development, design, and

demonstration of electric vehicles intended to serve as a platform for the future development of autonomous technology and robotics education.

2018 was another exciting year for Roborace which kicked off with Robocar being the centre piece of NVIDIA's presence at CES 2018 which attracted 182,198 attendees from 160 countries, including 6,645 media, and a record 166 key online influencers. The United States Secretary of Transportation, Elaine Lan Chao, was given a personal tour of Robocar with explanation of the role motorsport can play in advancing autonomous technology.

From Las Vegas, Robocar headed over to the home of the US automotive industry in Detroit to support Michigan Governor Richard Snyder's opening of AutoMobili-D at the North American International Auto Show (NAIAS) which over the course of the show saw 809,161 attendees, 5,078 journalists from 60 countries and exposed the Roborace brand to 40,000 auto and tech industry executives, designers, developers and analysts from 2,002 companies and 29 countries.

Roborace's commitment to the USA was further cemented by the creation of a dedicated office in LA's Silicon Beach home to over 500 tech start-ups.

Attendance to FIA Formula E events included Rome and Berlin which provided an opportunity to develop two different competition formats; Human v Machine; and Human + Machine.

The Human v Machine event in Rome saw Formula Drift star Ryan Tuerck take on the latest ARRIVAL AI Driver in a fastest lap time attack competition using the Roborace DevBot platform. The eventual winner was Ryan but ARRIVAL was only 20% slower further closing the gap between human and AI Drivers.

The Human + Machine event in Berlin was Roborace first competition between independent AI Driver software teams. Over the course of five months, Roborace supported the Technical University of Munich and the University of Pisa with access to both the simulator platform and physical DevBot testing. Each AI Driver team was paired with human driver and their combined fastest laps were used to determine the overall winner. Guest drivers included online gamer AR12 and high-tech fashion designer Errolson Hugh.

The collaboration with Errolson Hugh continued through to October where a bespoke Roborace Human & Machine capsule collection was launched at HypeFest, Brooklyn New York City in front of 15,000 fans and dozens of brands and advertisers engaged in two days of shopping, music, art demonstrations and panels.

The standout public event for Roborace was the high-speed demonstration of Robocar as the headline act celebrating the 25th Anniversary of the Goodwood Festival of Speed. Having attended the event in 2017 with a static Robocar display inside FOS Future Lab 2018 saw increased presence; with a Goodwood Robocar VR experience in FOS Future Lab and a large paddock area for operation of two Robocars & one DevBot.

Robocar competed the world's first autonomous run of the Goodwood hill-climb. These live public demonstrations took place across three days in front of over 200,000 spectators, a huge step up from any FIA Formula E event to date. Exposure online was even more impressive reaching 33 million people, 1.26 million UK TV viewers alone and distribution to over 44 international broadcaster partners.

Goodwood also saw the public announcement of the Roborace collaboration with Porsche and co-hosting of "The Future of Racing" workshop. Business leaders, drivers, researchers, engineers, academics and eSports teams all joined for a day of discussion and debate on how new forms of motorsport can connect with the next generation.

The collaboration with Porsche has opened the doors within the VW Group including opportunities with VW, Data:Lab Munich, Italdesign and Lamborghini which will be explored further in 2019.

Studio 26 S.à r.l.

There was no activity in this subsidiary for the year ended 31 December 2018.

Proposed dividends

The loss for the year is set out in the profit and loss account on page 7. The Board of Managers does not recommend the payment of a dividend.

Political contributions

The Kinetik S.à r.l. Group made no political donations and did not incur any political expenditure during the year.

Going concern

The Consolidated Financial Statements have been prepared on a going concern basis. (see note 2).

The Board of Managers has made an assessment of the ability of the Group to continue their work as continuing operations and it is satisfied that the consolidated financial statements can be prepared on a going concern basis.

The Board of Managers who held office during the year were:

Csaba Horvath

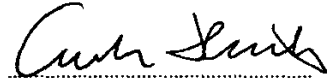
Gilles Dusemon

Anthony Julius

Events occurring after the reporting period

The Board of Managers listed post-balance sheet events in Note 23 and is not aware of any other significant events affecting the Group which have occurred after the reporting period

For and on behalf of Kinetik S.à r.l.



Csaba Horvath

Chairman of the Board