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# **Apollo Tyres (Hungary) Kft., Budapest**

## **REPORT**

on the audit  
of the annual financial statements  
as of 31 March 2018



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ACCOUNT
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**I. BALANCE SHEET AND PROFIT AND LOSS  
ACCOUNT**

**ANNUAL REPORT  
FOR THE YEAR ENDING ON 31 March 2018**

Gyöngyöshalász, June 18, 2018

  
Vishal Kumar Mittal  
Managing Director

<b>ASSETS</b>	<b>31/03/2017</b>	<b>31/03/2018</b>
<b>A. INVESTED ASSETS</b>	<b>100 201</b>	<b>145 059</b>
<b><i>I. Intangible assets</i></b>	<b>513</b>	<b>915</b>
1. Capitalised value of reorganisation	0	0
2. Capitalised R&D	0	0
3. Intellectual properties and rights	513	915
4. Softwares	0	0
5. Goodwill	0	0
6. Advance payment to intangibles	0	0
7. Revaluation of intangibles	0	0
<b><i>II. Tangible assets</i></b>	<b>99 688</b>	<b>144 144</b>
1. Land and buildings	2 100	34 132
2. Technological equipments	0	49 163
3. Other equipments	42	2 755
4. Animals	0	0
5. Capital work in progress (CWIP)	86 474	53 472
6. Advance payment to CWIP	11 072	4 622
7. Revaluation of Tangibles	0	0
<b><i>III. Long-term financial assets</i></b>	<b>0</b>	<b>0</b>
1. Permanent holdings in affiliated parties	0	0
2. Long-term loans given to affiliated parties	0	0
3. Long-term, significant holdings	0	0
4. Long-term loans given to companies with significant holdings	0	0
5. Other permanent holdings	0	0
6. Long-term loans given to companies in other holding relationships	0	0
7. Other long-term loans	0	0
8. Securities representing long-term lending	0	0
9. Value adjustment of financial investments	0	0
<b>B. CURRENT ASSETS</b>	<b>7 902</b>	<b>14 775</b>
<b><i>I. Stocks</i></b>	<b>193</b>	<b>4 358</b>
1. Raw materials and packagings	193	1 446
2. Semi-finished production	0	637
3. Living stocks	0	0
4. Finished products	0	2 275
5. Merchandises	0	0
6. Advances to stock	0	0
<b><i>II. Receivables</i></b>	<b>5 908</b>	<b>7 044</b>
1. Trade debtors	2	4
2. Receivables from affiliated parties	0	4 318
3. Receivables from companies with significant holdings	0	0
4. Receivables from companies in other shareholding relationships	0	0
5. Bills receivables	0	0
6. Other receivables	5 906	2 722
<b><i>III. Securities</i></b>	<b>0</b>	<b>0</b>
1. Shares and participations of affiliated parties	0	0
2. Significant holdings	0	0
3. Other participations	0	0
4. Own shares, participation	0	0
5. Securities for sale representing credit relationship	0	0
<b><i>IV. Liquid assets</i></b>	<b>1 801</b>	<b>3 373</b>
1. Cash, checks	0	1
2. Bank deposits	1 801	3 372
<b>C. PREPAYMENT AND ACCRUED ASSETS</b>	<b>21</b>	<b>40</b>
1. Accrued income	0	0
2. Accrued costs and expenses	21	40
3. Deferred expenses	0	0
<b>TOTAL ASSETS</b>	<b>108 124</b>	<b>159 874</b>

Gyöngyöshalász, June 18, 2018

  
 Manager of the company  
 (representative)

<b>LIABILITIES</b>	<b>31/03/2017</b>	<b>31/03/2018</b>
<b>D. SHAREHOLDER'S EQUITY</b>	<b>52 202</b>	<b>80 085</b>
I. Subscribed capital	110	111
of which: repurchased ownership shares at face value	0	0
II. Subscribed but unpaid capital (-)	0	0
III. Capital reserve	62 616	99 415
IV. Retained earnings	- 5 028	- 10 524
V. Fix reserve	0	0
VI. Valuation reserve	0	0
VII. Profit/Loss after tax	- 5 496	- 8 917
<b>E. PROVISIONS</b>	<b>0</b>	<b>0</b>
1. Provisions for expected losses	0	0
2. Provisions for future and contingent liabilities	0	0
3. Other provisions	0	0
<b>F. LIABILITIES</b>	<b>48 595</b>	<b>66 925</b>
<b><i>I. Subordinated liabilities</i></b>	<b>0</b>	<b>0</b>
1. Subordinated liabilities to affiliated parties	0	0
2. Subordinated liabilities to companies with significant holdings	0	0
3. Subordinated liabilities to companies with a share-ownership relationship	0	0
4. Subordinated liabilities to other business organizations	0	0
<b><i>II. Long-term liabilities</i></b>	<b>29 326</b>	<b>35 162</b>
1. Long-term loans	0	0
2. Convertible bonds	0	0
3. Debts on the issuance of bonds	0	0
4. Investment and development credits	29 326	35 162
5. Other long-term loans	0	0
6. Long-term liabilities to affiliated parties	0	0
7. Long-term liabilities to companies with significant holdings	0	0
8. Long-term liabilities to companies with another share-ownership relationship	0	0
9. Other long-term liabilities	0	0
<b><i>III. Short-term liabilities</i></b>	<b>19 269</b>	<b>31 763</b>
1. Short-term loans	0	0
of which: convertible bonds	0	0
2. Short-term credits	0	3 907
3. Advances received from customers	0	0
4. Trade creditors	17 809	17 101
5. Bills payable	0	0
6. Short-term liabilities to affiliated parties	1 263	10 265
7. Short-term liabilities to companies with significant holdings	0	0
8. Short-term liabilities to companies with another share-ownership relationship	0	0
9. Other short-term liabilities	197	490
<b>G. ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>7 327</b>	<b>12 864</b>
1. Accrued income	0	0
2. Accrued costs and expenses	390	1 080
3. Deferred income	6 937	11 784
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>108 124</b>	<b>159 874</b>

Gyöngyöshalász, June 18, 2018

  
 Manager of the company  
 (representative)

**Apollo Tyres (Hungary) Kft.**

 Profit and Loss statement version "A" by total cost method for the year ending 31 March 2018  
 balances in million HUF

	<u>Apr-16 - Mar-17</u>	<u>Apr-17 - Dec-17</u>
1. Net domestic sales	100	106
2. Net export sales	0	8 184
<b>I. Net sales revenue</b>	<b>100</b>	<b>8 290</b>
3. Change in self-manufactured stocks	0	2 912
4. Own work capitalized	130	943
<b>II. Value of own performance capitalized</b>	<b>130</b>	<b>3 855</b>
<b>III. Other income</b>	<b>422</b>	<b>380</b>
Of which: reserved impairment	0	0
5. Cost of raw materials	95	7 364
6. Material type services consumed	3 373	6 425
7. Value of other services	13	71
8. Cost of goods sold	0	0
9. Value of services sold (mediated)	89	102
<b>IV. Material type costs</b>	<b>3 570</b>	<b>13 962</b>
10. Wages and salaries	1 364	2 220
11. Other personnel costs	858	1 095
12. Wage contributions	422	619
<b>V. Personnel cost</b>	<b>2 644</b>	<b>3 934</b>
<b>VI. Depreciation</b>	<b>87</b>	<b>1 560</b>
<b>VII. Other expenditure</b>	<b>33</b>	<b>1 175</b>
Of which: impairment	0	943
<b>A. INCOME FROM OPERATIONS</b>	<b>- 5 682</b>	<b>- 8 106</b>
13. Dividend and business interests received (due)	0	0
Of which: received from affiliated companies	0	0
14. Exchange gain on the sale of business interests	0	0
Of which: received from affiliated companies	0	0
15. Interest income and exchange gain from financial investments	0	0
Of which: received from affiliated companies	0	0
16. Other interests and interest type income received	1	0
Of which: received from affiliated companies	0	0
17. Other income from financial transactions	314	287
<b>VIII. Income from financial transactions</b>	<b>315</b>	<b>287</b>
18. Expenses and exchange loss on business shares	0	0
Of which: given to affiliated companies	0	0
19. Exchange loss on financial investments	0	0
Of which: given to affiliated companies	0	0
20. Interest payable and type expenses	0	182
Of which: given to affiliated companies	0	0
21. Impairment loss of business interests, securities, bank deposits	0	0
22. Other expenses on financial transactions	129	916
<b>IX. Expenses on financial transactions</b>	<b>129</b>	<b>1 098</b>
<b>B. PROFIT/LOSS ON FINANCIAL TRANSACTIONS</b>	<b>186</b>	<b>- 811</b>
<b>C. PRE-TAX PROFIT/LOSS</b>	<b>- 5 496</b>	<b>- 8 917</b>
X. Tax liability	0	0
<b>D. PROFIT/LOSS AFTER TAX</b>	<b>- 5 496</b>	<b>- 8 917</b>

Gyöngyöshalász, June 18, 2018


  
 Manager of the company  
 (representative)



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## **II. NOTES TO THE FINANCIAL STATEMENT**



**APOLLO TYRES (HUNGARY) KFT**

SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 MARCH 2018

All amounts are in million forints unless otherwise indicated

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**APOLLO TYRES (HUNGARY) KFT**  
SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 MARCH 2018  
All amounts are in million forints unless otherwise indicated

**1. INTRODUCING THE COMPANY**

Registered office of business of Apollo Tyres (Hungary) Kft. (hereinafter: the Company):	3212 Gyöngyöshalász, Apollo road 106., Hungary
Year of commencing operations:	2014
Company registration number:	10-09-036536
Founders:	Apollo Tyres B.V.
Owners as at 31 March 2018 and their voting power:	Apollo Tyres B.V. 100,00%
Owner's registered office:	7547 Enschede, Ir. Schiffstraat 370., Netherlands
Subscribed capital as at 31 March 2018:	HUF 111 million
Scope of activity:	Tire, tube manufacturing
Managing Directors of the Company:	Kannan Prabhakar, Mathias Heimann, Vishal Kumar Mittal
Persons authorized to represent the Company:	Kannan Prabhakar, 1012 Budapest, Tábor street 2-4. ground floor 4., Hungary Mathias Heimann, 1272 CM HUIZEN, Nieuwe Bussummerweg 186, Netherlands Vishal Kumar Mittal, Elysium, 71 Royston Park Road, Hatch End, Pinner, HA5 4AB Middlesex, United Kingdom

Prem Chand Ojha is leading the Finance & Accounting Department of the Company. Balga Szabolcs (address: 3200 Gyöngyös, Gólya utca 67., chartered accountant registration number: 181624) is responsible for preparing the Company's annual financial statements as specified in Section 150 (2) of the Accounting Act.

Based on the owner's decision the balance sheet date of the company is 31st March, hence the reporting period is between April 1, 2017 and March 31, 2018.

The statutory auditing of accounting documents is compulsory for the Company. The figures were authenticated by an auditor. The audit fee for financial year 2017-2018 was EUR 35,000.-

The auditor company and the personally responsible auditor:

Grant Thornton Audit Kft.  
1093 Budapest, Vámház krt. 13.  
Company registry number: 01-09-691274  
Leveles Ildikó (Chamber of Auditors ID number: 007015)

**APOLLO TYRES (HUNGARY) KFT**  
SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 MARCH 2018  
All amounts are in million forints unless otherwise indicated

## **2. BUSINESS CONDITIONS**

The Company was founded by the Apollo Tyres group in June 2014. This group of companies employ an estimate of 15 thousand persons all around the world and has manufacturing units in India and in the Netherlands as well. This new factory being built as a greenfield investment in Heves county will be not only the latest facility of the group but but also most modern & automated factory. The factory commenced commercial production in this financial year.

## **3. ACCOUNTING POLICY**

The Company keeps its books and records in compliance with the Accounting Act and the accounting principles generally accepted in Hungary. The Company's accounting policy, valuation methods and procedures are summarized as follows:

### **3.1 The basis of accounting**

Both the enclosed balance sheet, reflecting the financial position of the Company as at 31 March 2018, and the income statement from April 1, 2017 to March 31, 2018 have been prepared in accordance with the provisions of the Act.

### **3.2 Balance sheet preparation date**

For period ending March 2018, the Company designated April 23 of the year following the balance sheet date as the balance sheet preparation date in accordance with the provisions of the Accounting Policy.

### **3.3 Major error**

Errors is to be construed as major if, in the year when discovered by audit, the aggregate amount of all errors (whether negative or positive) for the same year and the aftereffects thereof - increasing or decreasing the equity - exceeds 2 per cent of the balance sheet total of the financial year audited, or one million forints, if such 2 per cent of the balance sheet total does not exceed one million forints.

### **3.4 Intangible assets**

The Company depreciates software over a period of 5 years or more.

### **3.5 Tangible assets**

The Company records tangible assets at purchase price/direct production cost. The cost (purchase, manufacturing) of an asset shall mean the expenditure required for the acquisition, creation, installation of the asset incurred before commissioning or delivery thereof to the warehouse, and which may be attached to the asset in question. The cost (original cost) includes the purchase price reduced by any discounts and increased by any premium, the costs and charges paid to intermediaries, or for the delivery, loading, foundation, installation and commissioning services supplied in connection with the purchase, commissioning and delivery of the asset to the warehouse, any commission, as well as the taxes and similar levies, and customs charges.

The Company records tangible assets with an individual purchase price below HUF 100 thousand in one lump sum upon commissioning (capitalization) as ordinary depreciation.

The Company applies the straight-line depreciation method using the expected useful life and residual value of tangible assets. The depreciation rates are determined using the expected useful lives.

**APOLLO TYRES (HUNGARY) KFT**  
SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 MARCH 2018  
All amounts are in million forints unless otherwise indicated

**3.6 Receivables**

Domestic receivables

Domestic trade receivables are recorded in the books at the amounts invoiced and recognized by the partners, reduced by any impairment recognized.

Foreign receivables

Foreign trade receivables are measured in accordance with the provisions of the Accounting Act and the Company's Accounting Policy and Measurement Policy.

**3.7 Inventories**

During the year raw materials are valued on standard cost which is set for a year. The raw material price variance is allocated between raw material inventory and consumption, therefore the purchased inventories are valued on actual purchase price in the year end, the decrease in the inventory is calculated using FIFO method. This brings the RM inventory to actual cost using FIFO method. Finished goods and Work in progress are valued at the lower of actual cost and net selling price. In case the selling price is lower than the actual cost, impairment loss is accounted. Inventories are valued on actual cost or net realizable value, whichever is the lower.

**3.8 Liabilities**

Domestic trade payables

The Company records domestic trade payables at the amounts invoiced by the partners and recognized by the Company.

Foreign trade payables

Foreign trade payables are measured in accordance with the provisions of the Accounting Act and the Company's Accounting Policy and Measurement Policy. The Company records payables invoiced by foreign suppliers in foreign currencies at their book value, reduced by settlements made and adjusted in all cases by aggregated exchange differences.

**3.9 Year-end revaluation of items denominated in foreign currency**

The Company revaluated its items denominated in foreign currency on 31 March 2018.

The Company converts amounts denominated in foreign currency to HUF using the official currency exchange rates published by the National Bank of Hungary. Based on the principles laid down in the Accounting Policy, the items denominated in foreign currency always get revalued on the balance sheet date.

**3.10 Consolidated annual report**

The consolidated annual report of the Company is prepared by Apollo Tyres B.V. (registered seat: 7547 Enschede, Ir. Schiffstraat 370., Netherlands). The ultimate owner of the Company is Apollo Tyres Ltd., (registered seat: 3rd Floor, Areekal Mansion, Near Manorma Junction, Panampilly Nagar, Kochi - 682036, India).

**APOLLO TYRES (HUNGARY) KFT**  
 SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 MARCH 2018  
 All amounts are in million forints unless otherwise indicated

**4. FORM OF THE BALANCE SHEET AND THE INCOME STATEMENT**

The Company prepares version "A" of the balance sheet. The Company determines its profit/loss by applying the total cost method.

**5. CASH FLOW STATEMENT**

The Company's financial position and liquidity as of 31 March 2018 is illustrated by the following cash-flow statement.

<b>Cash Flow Statement</b>	<b>2017</b>	<b>2018</b>
Profit before tax	-5,496	-8,917
Amortization recognized	87	1,560
Impairment loss and reversal	0	943
Difference between provisions made and released	0	0
Proceeds from the sale of fixed assets	0	0
Exchange differences of credits (changes not involving cash flows)	-356	511
Change in trade payables	14,289	-456
Change in other short-term liabilities	-22	293
Change in accruals	7,000	5,537
Change in trade receivables	6	-4,320
Change in current assets (excluding trade receivables and cash)	-4,292	-1,924
Change in prepayments	25	-19
Taxes paid and payable	0	0
Dividends paid and payable	0	0
<b>Cash flows from ordinary activities</b> <b>(operating cash flow)</b>	<b>11,241</b>	<b>-6,792</b>
Purchase of fixed assets	-71,789	-46,418
Sale of fixed assets	0	0
Investments	0	0
Dividend, profit sharing received	0	0
<b>Cash flows from investing activities</b> <b>(investment cash flow)</b>	<b>-71,789</b>	<b>-46,418</b>
Proceeds from the issue of shares and capital increase	35,102	45,550
Proceeds from the issue of bonds and debentures	0	0
Loans and credits received	21,828	9,232
Other long-term liabilities	0	0
Non-repayable funds received	0	0
Withdrawal of shares, divestment (capital decrease)	0	0
Repayment of bonds and debt securities	0	0
Repayment of loans and credits	0	0
Long-term loans granted and long-term bank deposits	0	0
Non-repayable funds granted	0	0
Changes in liabilities to founders and other long-term liabilities	0	0
<b>Cash flows from financing transactions</b> <b>(financing cash flow)</b>	<b>56,930</b>	<b>54,782</b>
<b>Cash flow</b>	<b>-3,618</b>	<b>1,572</b>
<b>Opening cash balance</b>	<b>5,419</b>	<b>1,801</b>
<b>Closing cash balance</b>	<b>1,801</b>	<b>3,373</b>

**APOLLO TYRES (HUNGARY) KFT**  
**SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 MARCH 2018**

All amounts are in million forints unless otherwise indicated

**6. INTANGIBLE AND TANGIBLE ASSETS**

As at 31 March 2018, the intangible assets of the Company includes software. Changes in capitalized tangible assets and construction in progress are presented in the table below.

In the beginning of the Financial year 2017-18 Company has started the production for passenger car tyres. Commercial vehicle tyres facility construction work has been completed and equipments are under commissioning. Trial run is expected to start during financial year 2018-2019 followed by commercial production.

The following is a summary of the changes in tangible assets (fixed assets under construction and advance payments) during the year ending on 31 March 2018:

	Intangible Assets	Land	Buildings	Electrical installations	Plant & Machinery	Other machines	Vehicles	Furniture and fixture	Capital work in process	Advance Payments Suppliers Capital goods	TOTAL
<b>Gross value</b>											
Balance as at 31 March 2017	514	1,578	568	0	0	62	6	44	86,474	11,072	100,318
Additions	412	260	26,014	6,237	50,075	2,817	4	64	52,469	14,776	153,128
Decrease	13								85,471	21,226	106,710
Reclassification			-102		102						0
<b>Balance as at 31 March 2018</b>	<b>926</b>	<b>1,825</b>	<b>26,480</b>	<b>6,237</b>	<b>50,177</b>	<b>2,879</b>	<b>10</b>	<b>108</b>	<b>53,472</b>	<b>4,622</b>	<b>146,736</b>
<b>Accumulated depreciation</b>											
Balance as at 31 March 2017	1		46	0	0	29	0	41	0	0	117
Depreciation for financial year	10		292	82	1,004	165	2	5			1,560
Reclassification			10		-10						0
<b>Balance as at 31 March 2018</b>	<b>11</b>	<b>0</b>	<b>328</b>	<b>82</b>	<b>1,014</b>	<b>194</b>	<b>2</b>	<b>46</b>	<b>0</b>	<b>0</b>	<b>1,677</b>
<b>Net value</b>											
<b>Balance as at 31 March 2018</b>	<b>915</b>	<b>1,825</b>	<b>26,152</b>	<b>6,155</b>	<b>49,163</b>	<b>2,685</b>	<b>8</b>	<b>62</b>	<b>53,472</b>	<b>4,622</b>	<b>145,059</b>
Balance as at 31 March 2017	513	1,578	522	0	0	33	6	3	86,474	11,072	100,201

**APOLLO TYRES (HUNGARY) KFT**  
 SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 MARCH 2018  
 All amounts are in million forints unless otherwise indicated

**7. STOCKS**

The Company has the below inventories on stock as at 31/03/2018.

	<u>31.03.2017</u>	<u>31.03.2018</u>
Raw materials	193	1,227
Stores and spares	0	219
Semi-finished production	0	637
Finished products	0	3,218
Finished products - impairment	0	-943
<b>Total</b>	<b>193</b>	<b>4,358</b>

**8. RECEIVABLES**

**8.1 Trade debtors**

The balance of trade receivables as at 31 March 2018 was as follows:

	<u>31.03.2017</u>	<u>31.03.2018</u>
<u>Trade debtors</u>		
Domestic receivables	2	4
<b>Total</b>	<b>2</b>	<b>4</b>

**8.2 Receivables from affiliated parties**

Receivables from affiliated companies as at 31 March 2018 are as below:

	<u>31.03.2017</u>	<u>31.03.2018</u>
<u>Receivables from affiliated parties</u>		
Apollo Vredestein B.V.	0	4,318
<b>Total</b>	<b>0</b>	<b>4,318</b>

**8.3 Other receivables**

The balance of other receivables as at 31 March 2018 was as follows:

	<u>31.03.2017</u>	<u>31.03.2018</u>
Reclaimable VAT	4,210	1,547
Advance payments to construction trustee	1,567	1,025
Local taxes	0	58
Security deposits, bails	32	48
Receivables against employees	10	14
Supplier advances	58	27
Other small receivables	29	3
<b>Total</b>	<b>5,906</b>	<b>2,722</b>

**APOLLO TYRES (HUNGARY) KFT**  
 SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 MARCH 2018  
 All amounts are in million forints unless otherwise indicated

**9. LIQUID ASSETS**

The Company had the following liquid assets as at 31 March 2018:

	<b>31.03.2017</b>	<b>31.03.2018</b>
Vouchers	0	1
HUF bank accounts	492	717
EUR bank accounts	1,253	2,616
USD bank accounts	56	37
GBP bank accounts	0	2
<b>Total</b>	<b>1,801</b>	<b>3,373</b>

**10. PREPAYMENTS**

The summary of prepayments as at 31 March 2018 is as follows:

	<b>31.03.2017</b>	<b>31.03.2018</b>
Tuition fee	20	40
Project insurance premium	1	0
<b>Total</b>	<b>21</b>	<b>40</b>

**11. SHAREHOLDERS' EQUITY**

Subscribed capital as at 31 March 2018:

<u>Shareholder</u>	Total face value (HUF mn)		Share	
	31.03.2017	31.03.2018	31.03.2017	31.03.2018
Apollo Tyres B.V.	110	111	100%	100%

Change in shareholders' equity in 2018:

	Subscribed capital	Capital reserve	Retained earnings	Profit for the period	Total equity
<b>Total as at 31.03.2017</b>	<b>110</b>	<b>62,616</b>	<b>-5,028</b>	<b>-5,496</b>	<b>52,202</b>
<b>Capital increase</b>	<b>1</b>	<b>36,799</b>	<b>0</b>	<b>0</b>	<b>36,800</b>
<b>Profit/Loss for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8,917</b>	<b>-8,917</b>
<b>Transfers of previous year result</b>	<b>0</b>	<b>0</b>	<b>-5,496</b>	<b>5,496</b>	<b>0</b>
<b>Total as at 31.03.2018</b>	<b>111</b>	<b>99,415</b>	<b>-10,524</b>	<b>-8,917</b>	<b>80,085</b>

The HUF 36,800 million capital increase was processed in several steps during the year. The Company has unregistered capital increase worth of HUF 8,751 million, which is shown under Short-term liabilities to affiliated parties.

The Sole Member of the Company (Apollo Tyres B.V.) decides to allocate the loss of HUF 8,917 million to the retained earnings of the Company for the business year ending on 31 March 2018.



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**12. LONG TERM LIABILITIES**

The Company signed a loan agreement on 7 August 2015 to fund its green field investment. By the end of the financial year the following amount was withdrawn against the facility. The EUR 150 million facility term loan was reduced to EUR 125mn in March 2018.

	31.03.2017	31.03.2017	31.03.2018	31.03.2018
	EUR th	HUF mn	EUR th	HUF mn
Hungarian Export-Import Bank	47,500	14,663	56,250	17,581
Raiffeisen Bank	31,667	9,775	37,500	11,721
UniCredit Bank	15,833	4,888	18,750	5,860
<b>Total</b>	<b>95,000</b>	<b>29,326</b>	<b>112,500</b>	<b>35,162</b>

Apollo Tyres B.V. (ATBV), the Parent Company has provided guarantee for the loan which is secured by a pledge on the shares of Apollo Tyres (Hungary) Kft. and a pledge on the bank accounts of ATBV. Apollo Tyres Hungary Kft. and Apollo Vredestein B.V. has given additional securities for the loan in the form of pledge over certain movable tangible assets including mortgage over the Real Estate, pledge of rights & receivables of Apollo Tyres Hungary Kft. and its Bank accounts.

**13. SHORT TERM LIABILITIES**

**13.1 Short term credits**

The below summary shows the Facility loan portion due and payable in the coming one year.

	31.03.2017	31.03.2017	31.03.2018	31.03.2018
	EUR th	HUF mn	EUR th	HUF mn
Hungarian Export-Import Bank	0	0	6,250	1,954
Raiffeisen Bank	0	0	4,167	1,302
UniCredit Bank	0	0	2,083	651
<b>Total</b>	<b>0</b>	<b>0</b>	<b>12,500</b>	<b>3,907</b>

**13.2 Trade creditors (accounts payable)**

The balance of trade payables as at 31 March 2018:

	31.03.2017	31.03.2018
Domestic trade creditors	12,235	7,611
Foreign trade creditors	5,574	9,491
<b>Total</b>	<b>17,809</b>	<b>17,101</b>

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**13.3 Short-term liabilities to affiliated parties**

Short-term liabilities to affiliated parties on 31 March 2018:

<u>Name of affiliated company</u>	<u>31.03.2017</u>	<u>31.03.2018</u>
Apollo Tyres B.V. - unregistered capital increase	0	8,751
Apollo Tyres Ltd. India	537	446
Apollo Tyres UK Pvt Ltd.	184	435
Apollo Vredestein B.V.	373	324
Apollo Tyres Global R&D	169	287
Apollo Vredestein GmbH	0	20
Apollo Tyres Singapore ( Holdings ) Pte Ltd.	0	1
Apollo Vredestein Tyres Inc.	0	1
<b>Total</b>	<b>1,263</b>	<b>10,265</b>

**13.4 Other short-term liabilities**

Other short-term liabilities as at 31 March 2018:

	<u>31.03.2017</u>	<u>31.03.2018</u>
Liabilities towards employees	84	164
Liabilities towards government/tax authority	111	326
Other small short term liabilities	2	0
<b>Total</b>	<b>197</b>	<b>490</b>

**14. ACCRUALS**

Accruals on 31 March 2018:

<u>Accrued expenses</u>	<u>31.03.2017</u>	<u>31.03.2018</u>
Manufacturing related services	0	302
Bonus & leave accruals	196	283
Transport services	24	153
Electricity & gas	0	104
Facility loan interest and fees	82	100
Other expense payable	88	138
<b>Total</b>	<b>390</b>	<b>1,080</b>
 <u>Deferred income</u>		
Cash State Subsidy	6,937	11,784
<b>Total</b>	<b>6,937</b>	<b>11,784</b>

The cash subsidy was approved and granted by the Hungarian Government in accordance with the prevailing norms. The subsidy agreement defines contractual obligations and criteria for the Company. These criteria will be monitored once the project has been completed. The monitoring period starts on the 1st day of the financial year following the completion of the project.

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**15. SALES REVENUE**

**15.1 Net sales revenue**

The net sales revenue is as below for the year ending on 31 March 2018.

	<u>2017</u>	<u>2018</u>
Tyre sales - AVBV - Netherlands	0	8,184
Property rental	90	101
Other revenue	10	5
<b>Total</b>	<b><u>100</u></b>	<b><u>8,290</u></b>

**15.2 Other income**

Other income in the year ending on 31 March 2018:

	<u>2017</u>	<u>2018</u>
Job Creation Subsidy	297	77
Training Subsidy	112	94
Cash Subsidy	8	172
Other income	5	37
<b>Total</b>	<b><u>422</u></b>	<b><u>380</u></b>

**16. MATERIAL TYPE COSTS**

**16.1 Cost of raw materials**

Raw material costs in the year ending on 31 March 2018:

	<u>2017</u>	<u>2018</u>
Raw material	14	6,046
Engineering material	0	320
Electricity	4	565
Gas	0	296
Car related	20	22
Working and work safety clothes	16	34
Water	2	27
Other	39	54
<b>Total</b>	<b><u>95</u></b>	<b><u>7,364</u></b>

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**16.2 Material type services consumed**

Services consumed in the year ending on 31 March 2018:

	<u>2017</u>	<u>2018</u>
Group management charges	1,938	2,226
Transport, internal movement	0	1,287
Costs of business trips	636	439
Maintenance	0	409
Leased manpower	0	303
Company event related	0	246
Legal, professional and recruitment fees	264	244
Security expenses	124	243
Cleaning	132	241
Rental fees (office, car)	75	207
Freight	0	192
Environmental protection related (waste removal & consultancy)	28	162
Telecom, postage and advertisement	25	80
IT related	0	63
Training / congress	141	36
Other material type services	10	47
<b>Total</b>	<b><u>3,373</u></b>	<b><u>6,425</u></b>

**16.3 Other services**

Other services used in the year ending on 31 March 2018:

	<u>2017</u>	<u>2018</u>
Duties, fees of authorities	1	2
Bank charges	11	18
Insurance	1	51
<b>Total</b>	<b><u>13</u></b>	<b><u>71</u></b>

**16.4 Value of services sold (mediated)**

Value of mediated services in the year ending on 31 March 2018 is HUF 102 million, of which the majority of these costs is the rental fee of the properties, HUF 100 million.

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**17. PERSONNEL COSTS**

Wages, salaries and other personnel costs paid in 2018:

	<u>2017</u>	<u>2018</u>
Wages and salaries	1,364	2,220
Other personnel costs	858	1,095
Wage contributions	422	619
<b>Total</b>	<b><u>2,644</u></b>	<b><u>3,934</u></b>

	<u>2017</u>	<u>2018</u>
<b>Wage contributions</b>		
Social Contribution Tax	318	496
Healthcare Contribution	70	76
Vocational Training Contribution	18	20
Rehabilitation Contribution	16	27
<b>Total</b>	<b><u>422</u></b>	<b><u>619</u></b>

<b>Actual year</b>	<b>Wages and salaries</b>	<b>Other personnel costs</b>	<b>Wage contributions</b>	<b>Personnel costs total</b>	<b>Average statistical headcount</b>
Technicians/team members	906	160	231	<b>1,297</b>	272
Professional qualified staff	1,314	935	388	<b>2,637</b>	200
<b>Total</b>	<b><u>2,220</u></b>	<b><u>1,095</u></b>	<b><u>619</u></b>	<b><u>3,934</u></b>	<b><u>472</u></b>

The data of professional qualified staff colleagues include individuals seconded to our Company by the Indian parent company (Apollo Tyres Ltd.) Their average statistical headcount is 36 in the actual year.

**18. OTHER EXPENDITURE**

Other expenditure in the year ending on 31 March 2018:

	<u>2017</u>	<u>2018</u>
Stock impairment	0	943
Other taxes	21	198
Miscellaneous expenditure	12	34
<b>Total</b>	<b><u>33</u></b>	<b><u>1,175</u></b>

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**19. PROFIT/LOSS ON FINANCIAL TRANSACTIONS**

Financial income and expenditure in the year ending on 31 March 2018:

	2017	2018
<b><u>Income from financial transactions</u></b>		
Other interests and interest type income received	1	0
Realised FX gain	62	287
Unrealised FX gain	252	0
<b>Total</b>	<b>315</b>	<b>287</b>
<b><u>Expenses on financial transactions</u></b>		
Interest payable and type expenses	0	182
Exchange rate loss on conversion and revaluation	129	916
<b>Total</b>	<b>129</b>	<b>1,098</b>
<b>Profit/loss on financial transactions</b>	<b>186</b>	<b>-811</b>

**20. CORPORATE INCOME TAX**

Taxable income and pre-tax profit as per the Corporate Income Tax Act in the years ended on 31 March 2018:

	2017	2018
<b>Pre-tax profit/loss</b>	<b>-5,496</b>	<b>-8,917</b>
Depreciation recognized as per the Accounting Act	87	1,560
Non-business related costs	5	0
Charity and donation	10	9
<b>Total additions to taxable income</b>	<b>102</b>	<b>1,569</b>
Depreciation recognized as per the Corporate income tax Act	87	1,560
<b>Total deductions from the taxable income</b>	<b>87</b>	<b>1,560</b>
Tax on income from abroad accounted as expense	0	0
<b>Tax base for the current year</b>	<b>-5,481</b>	<b>-8,908</b>
Loss from previous years	0	0
<b>Tax base</b>	<b>-5,481</b>	<b>-8,908</b>
Calculated corporate income tax	0	0

Our Company is not liable to pay the minimum tax because uses the legally permitted option and submits a declaration along with the corporate income tax return.

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**21. HAZARDOUS WASTE INVENTORY**

The change in the hazardous waste inventory for this financial year is detailed below.

Hazardous waste type	EWC code	Opening (kg)	Generated (kg)	Dispatched (kg)	Closing (kg)
Contaminated packaging material	150110*	0	16,490	8,490	8,000
Additive containing dangerous substances	070214*	0	47,670	36,670	11,000
Oil waste	130205*	0	11,000	0	11,000
Oily rags	150202*	0	500	0	500
Promol - liquid containing dangerous substances	161001*	0	33,000	0	33,000

**22. FEES OF EXECUTIVE OFFICERS**

Two Managing Director of the Company, by name Mathias Heimann és Vishal Kumar Mittal, are not present in Hungary. The third Director, Kannan Prabhakar resides in Hungary in secondment, our Company bears the cost of all his salary. Nevertheless none of the Managing Directors get any remuneration regarding their executive mandate.

Gyöngyöshalász, June 18, 2018



Kannan Prabhakar  
Managing Director



Vishal Kumar Mittal  
Managing Director



Mathias Heimann  
Managing Director



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### **III. BUSINESS REPORT**



## **BUSINESS REPORT FOR THE YEAR ENDING 31 MARCH 2018**

### **1. Ownership**

Apollo Tyres (Hungary) Kft. (hereinafter referred to as: Company) is a 100% subsidiary of Apollo Tyres B.V and ultimately held by Apollo Tyres Ltd, India, a listed multinational organisation and a global tyre manufacturer.

The Company was established on 4th June 2014 with aim to set up a 'state of the art' automotive tyre manufacturing facility in Hungary which will produce both passenger car tyres and commercial vehicle tyres.

### **2. Project**

During the Financial year 2017-18, Company has started the production for passenger car tyres. Capacity ramp up for this product line expected to complete during the current financial year.

Commerical vehicle tyres facility construction work has been completed and equipments are under commissioning. Trial run is expected to start during financial year 2018-2019 followed by commercial production.

The products produced in this plant will cater both OE and replacement markets in Europe and other markets.

### **3. Production**

During the financial year passenger car tyres were produced which ranges from 15 inch to 18 inch tyres for both Apollo & Vredestein brand.

During the next financial year 2018-19, we continue to ramp up production for both passenger and commercial vehicle tyres as commercial vehicle tyres production expected to start during the current financial year.

#### 4. Employment

The average statistical headcount of the Company was 472, and it was 359 in the previous financial year.

11 rubber industrial technicians graduated from dual education and joined Apollo as full members of the Apollo family in tyre manufacturer position. We established a new training room for increased number of students taking part in dual education locally at the plant.

There was a change in the security service provider in the beginning of current financial year. With the changes we deployed strict security regulations, and theft incidents reduced drastically. The Company released the Apollo Security Protection Policy.

We were focusing on improving employee related services in this Financial Year, including payroll service, company bus service, canteen, etc.

#### 5. Other

We have initiated the GDPR Initiative to perform detailed analysis of our organization to ensure GDPR compliance. We will be analyzing the regulations, their applicability and impact on our organization and set up a clear roadmap to ensure we address any potential gaps which require remediation to ensure compliance.

Environmental protection is treated by our Company with special emphasis in compliance with all relevant legal requirements, including in particular the disposal of hazardous waste.

The capital increase which was in process on March 31, 2018 was registered in the beginning of the next financial year.

Gyöngyöshalász, June 18, 2018



Kannan Prabhakar  
Managing Director



Vishal Kumar Mittal  
Managing Director



Mathias Heimann  
Managing Director



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#### **IV. INDEPENDENT AUDITOR'S REPORT**



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## Független könyvvizsgálói jelentés

### Az Apollo Tyres (Hungary) Kft. tulajdonosának

#### Vélemény

Elvégeztük az Apollo Tyres (Hungary) Kft. („a Társaság”) 2017/2018. évi éves beszámolójának könyvvizsgálatát, amely éves beszámoló a 2018. március 31-i fordulónapra készített mérlegből – melyben az eszközök és források egyező végösszege 159.874 millió Ft, az adózott eredmény -8.917 millió Ft (veszteség) –, és az ugyanezen időponttal végződő üzleti évre vonatkozó eredménykimutatásból, valamint a számviteli politika jelentős elemeinek összefoglalását is tartalmazó kiegészítő mellékletből áll.

Véleményünk szerint a mellékelt éves beszámoló megbízható és valós képet ad a Társaság 2018. március 31-én fennálló vagyoni és pénzügyi helyzetéről, valamint az ezen időponttal végződő üzleti évre vonatkozó jövedelmi helyzetéről a Magyarországon hatályos, a számvitelről szóló 2000. évi C. törvénnyel összhangban (a továbbiakban: „számviteli törvény”).

#### A vélemény alapja

Könyvvizsgálatunkat a Magyar Nemzeti Könyvvizsgálati Standardokkal összhangban és a könyvvizsgálatra vonatkozó – Magyarországon hatályos – törvények és egyéb jogszabályok alapján hajtottuk végre. Ezen standardok értelmében fennálló felelőségünk bővebb leírását jelentésünk „A könyvvizsgáló éves beszámoló könyvvizsgálatáért való felelőssége” szakasza tartalmazza.

Függetlenek vagyunk a társaságtól a vonatkozó, Magyarországon hatályos jogszabályokban és a Magyar Könyvvizsgálói Kamara „A könyvvizsgálói hivatás magatartási (etikai) szabályairól és a fegyelmi eljárásról szóló szabályzata”-ban, valamint az ezekben nem rendezett kérdések tekintetében a Nemzetközi Etikai Standardok Testülete által kiadott „Könyvvizsgálók Etikai Kódexe”-ben (az IESBA Kódex-ben) foglaltak szerint, és megfelelünk az ugyanezen normákban szereplő további etikai előírásoknak is.

Meggyőződésünk, hogy az általunk megszerzett könyvvizsgálati bizonyíték elegendő és megfelelő alapot nyújt véleményünkhöz.

#### Egyéb információk: Az üzleti jelentés

Az egyéb információk az Apollo Tyres (Hungary) Kft. 2017/2018. évi üzleti jelentéséből állnak. A vezetés felelős az üzleti jelentésnek a számviteli törvény, illetve egyéb más jogszabály vonatkozó előírásaival összhangban történő elkészítéséért. A független könyvvizsgálói jelentésünk „Vélemény” szakaszában az éves beszámolóra adott véleményünk nem vonatkozik az üzleti jelentésre.

Az éves beszámoló általunk végzett könyvvizsgálatával kapcsolatban a mi felelőségünk az üzleti jelentés átolvasása és ennek során annak mérlegelése, hogy az üzleti jelentés lényegesen ellentmond-e az éves beszámolónak vagy a könyvvizsgálat során szerzett ismereteinknek, vagy egyébként úgy tűnik-e, hogy az lényeges hibás állítást tartalmaz. Ha az elvégzett



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munkánk alapján arra a következtetésre jutunk, hogy az egyéb információk lényeges hibás állítást tartalmaznak, kötelességünk erről és a hibás állítás jellegéről jelentést tenni.

A számviteli törvény alapján a mi felelősségünk továbbá annak megítélése, hogy az üzleti jelentés a számviteli törvény, illetve egyéb más jogszabály vonatkozó előírásaival összhangban van-e, és erről, valamint az üzleti jelentés és az éves beszámoló összhangjáról vélemény nyilvánítása.

Véleményünk szerint az Apollo Tyres (Hungary) Kft. 2017/2018. évi üzleti jelentése minden lényeges vonatkozásban összhangban van az Apollo Tyres (Hungary) Kft. 2017/2018. évi éves beszámolójával és a számviteli törvény vonatkozó előírásaival. Mivel egyéb más jogszabály a Társaság számára nem ír elő további követelményeket az üzleti jelentésre, ezért e tekintetben nem mondunk véleményt.

Az üzleti jelentésben más jellegű lényeges ellentmondás vagy lényeges hibás állítás sem jutott a tudomásunkra, így e tekintetben nincs jelentenivalónk.

## **A vezetés és az irányítással megbízott személyek felelőssége az éves beszámolóért**

A vezetés felelős az éves beszámolóban a számviteli törvénnyel összhangban történő és a valós bemutatás követelményének megfelelő elkészítéséért, valamint az olyan belső kontrollért, amelyet a vezetés szükségesnek tart ahhoz, hogy lehetővé váljon az akár csalásból, akár hibából eredő lényeges hibás állítástól mentes éves beszámoló elkészítése.

Az éves beszámoló elkészítése során a vezetés felelős azért, hogy felmérje a Társaságnak a vállalkozás folytatására való képességét és az adott helyzetnek megfelelően közzétegye a vállalkozás folytatásával kapcsolatos információkat, valamint a vezetés felel a vállalkozás folytatásának elvén alapuló éves beszámoló összeállításáért. A vezetésnek a vállalkozás folytatásának elvéből kell kiindulnia, ha ennek az elvnek az érvényesülését eltérő rendelkezés nem akadályozza, illetve a vállalkozási tevékenység folytatásának ellentmondó tényező, körülmény nem áll fenn.

Az irányítással megbízott személyek felelősek a Társaság pénzügyi beszámolási folyamatának felügyeletéért.

## **A könyvvizsgáló éves beszámoló könyvvizsgálataért való felelőssége**

A könyvvizsgálat során célunk kellő bizonyosságot szerezni arról, hogy az éves beszámoló egésze nem tartalmaz akár csalásból, akár hibából eredő lényeges hibás állítást, valamint az, hogy ennek alapján a véleményünket tartalmazó független könyvvizsgálói jelentést bocsássunk ki. A kellő bizonyosság magas fokú bizonyosság, de nem garancia arra, hogy a Magyar Nemzeti Könyvvizsgálói Standardokkal összhangban elvégzett könyvvizsgálat mindig feltárja az egyébként létező lényeges hibás állítást. A hibás állítások eredhetnek csalásból vagy hibából, és lényegesnek minősülnek, ha ésszerű lehet az a várakozás, hogy ezek önmagukban vagy együttesen befolyásolhatják a felhasználók adott éves beszámoló alapján meghozott gazdasági döntéseit.

A Magyar Nemzeti Könyvvizsgálói Standardok szerinti könyvvizsgálat egésze során szakmai megítélést alkalmazunk és szakmai szkepticizmust tartunk fenn.

Továbbá:

- Azonosítjuk és felmérjük az éves beszámoló akár csalásból, akár hibából eredő lényeges hibás állításainak kockázatait, kialakítjuk és végrehajtjuk az ezen kockázatok kezelésére alkalmas könyvvizsgálói eljárásokat, valamint elegendő és megfelelő könyvvizsgálói bizonyítékot szerzünk a véleményünk megalapozásához. A csalásból eredő lényeges hibás állítás fel nem tárásának kockázata nagyobb, mint a hibából



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eredőé, mivel a csalás magában foglalhat összejátszást, hamisítást, szándékos kihagyásokat, téves nyilatkozatokat, vagy a belső kontroll felülírását;

- Megismerjük a könyvvizsgálat szempontjából releváns belső kontrollt annak érdekében, hogy olyan könyvvizsgálati eljárásokat tervezzünk meg, amelyek az adott körülmények között megfelelőek, de nem azért, hogy a Társaság belső kontrolljának hatékonyságára vonatkozóan véleményt nyilvánítsunk.
- Értékeljük a vezetés által alkalmazott számviteli politika megfelelőségét és a vezetés által készített számviteli becslések és kapcsolódó közzétételek ésszerűségét.
- Következtetést vonunk le arról, hogy helyénvaló-e a vezetés részéről a vállalkozás folytatásának elvén alapuló éves beszámoló összeállítása, valamint a megszerzett könyvvizsgálati bizonyíték alapján arról, hogy fennáll-e lényeges bizonytalanság olyan eseményekkel vagy feltételekkel kapcsolatban, amelyek jelentős kétséget vethetnek fel a Társaság vállalkozás folytatására való képességét illetően. Amennyiben azt a következtetést vonjuk le, hogy lényeges bizonytalanság áll fenn, független könyvvizsgálói jelentésünkben fel kell hívunk a figyelmet az éves beszámolóban lévő kapcsolódó közzétételekre, vagy ha a közzétételek e tekintetben nem megfelelőek, minősítenünk kell véleményünket. Következtéseink a független könyvvizsgálói jelentésünk dátumáig megszerzett könyvvizsgálati bizonyítékon alapulnak. Jövőbeli események vagy feltételek azonban okozhatják azt, hogy a Társaság nem tudja a vállalkozást folytatni.
- Értékeljük az éves beszámoló átfogó bemutatását, felépítését és tartalmát, beleértve a kiegészítő mellékletben tett közzétételeket, valamint értékeljük azt is, hogy az éves beszámolóban teljesül-e az alapul szolgáló ügyletek és események valós bemutatása.
- Az irányítással megbízott személyek tudomására hozzuk - egyéb kérdések mellett - a könyvvizsgálat tervezett hatókörét és ütemezését, a könyvvizsgálat jelentős megállapításait, beleértve a Társaság által alkalmazott belső kontrollnak a könyvvizsgálatunk során általunk azonosított jelentős hiányosságait is, ha voltak ilyenek.

Budapest, 2018. június 18.

Waltraud Körbler  
Grant Thornton Audit Kft.  
1093 Budapest, Vámház krt. 13.  
Nyilvántartásba-vételi szám: 000168

Leveles Ildikó  
kamarai tag könyvvizsgáló  
kamarai tagsági szám: 007015



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## Independent Auditor's Report

To the owner of Apollo Tyres (Hungary) Kft.

### Opinion

We have audited the Annual Report of Apollo Tyres (Hungary) Kft. („the Company”) for the year 2017/2018, which Annual Report comprises the balance sheet made at the balance sheet date of 31 March 2017/2018 – presenting the balance sheet total of assets and liabilities in equal amount of million HUF 159,874 and the after-tax result of million HUF -8,917 (loss) -, the income statement for the financial year then ended and the supplementary notes, including also a summary of significant elements of accounting policies.

In our opinion the attached Annual Report provides a true and fair view of the assets and financial position of the Company as at 31 March 2018, as well as its income position for the financial year then ended in accordance with the provisions in force in Hungary of the Act C of 2000 on Accounting (hereinafter: „Accounting Act”).

### Basis for opinion

We conducted our audit in accordance with the Hungarian National Standards on Auditing and the respective laws and other regulations applicable to auditing in Hungary. Our responsibilities under those standards are further described in the „Auditor's responsibilities for the audit of the Annual Report” section of our report.

We are independent of the Company in accordance with the requirements laid down in relevant legislation in force in Hungary and in the „Regulations on the code of conduct (ethical rules) of the audit profession and the disciplinary procedures” of the Chamber of Hungarian Auditors, as well as in respect of issues not settled therein, with the requirements of the „Code of Ethics for Professional Accountants” (the IESBA Code) issued by the International Ethics Standards Board for Accountants and also comply with additional ethical requirements contained within the same standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information: The Business Report

Other information consists of the 2017/2018 Business Report of Apollo Tyres (Hungary) Kft. The management is responsible for the preparation of the Business Report in accordance with the relevant provisions set out in the accounting act and other legislation. Our independent auditor's opinion expressed on the Annual Report in the „Opinion” section of our report does not cover the Business Report.

In the context of the audit carried out by us concerning the Annual Report, our responsibility is to read through the Business Report and during it to make a judgement whether the Business Report is significantly at odds with the Annual Report or with our knowledge obtained during the audit, or otherwise it seems that a material misstatement is contained therein. If, based on the work we have performed, we conclude that there is a



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material misstatement contained in other information, we are required to report this fact and the nature of the misstatement.

On the basis of the Accounting Act, we are also responsible for making a judgement, whether the Business Report is consistent with the relevant provisions of the Accounting Act and other legislations and for expressing an opinion on this and as well as on the consistency of the Business Report and the Annual Report.

In our opinion, the Business Report for the year 2017/2018 of Apollo Tyres (Hungary) Kft., in all material respects, is consistent with the Annual Report for the 2017/2018 of Apollo Tyres (Hungary) Kft. and the relevant provisions of the Accounting Act. As there is no other legislation providing for additional requirements for the Company regarding the Business Report, so we do not express an opinion in this regard.

No material contradiction or material misstatement of other nature has been brought to our knowledge either in the Business Report, so thus we have nothing to report in this regard.

## **Responsibilities of Management and those charged with governance for the Annual Report**

The management is responsible for the preparation and fair presentation of the Annual Report in accordance with the provisions of the Act on Accounting and for such internal controls as the management determines as necessary to enable the preparation of the Annual Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Report, the management is responsible for assessing the Company's ability to continue as a going concern and for disclosing of information related to going concern as appropriate in the given circumstances and the management is also responsible for compiling of the Annual Report based on the principle of going concern. The management shall take the going concern principle as a starting point, unless enforcing of this principle is prevented by a different provision, or such a factor or circumstance exists that is inconsistent with the continuation of the business activity.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the audit of the Annual Report**

The objectives of our audit are to obtain reasonable assurance about whether the Annual Report as a whole is free from material misstatements, whether due to fraud or error, and based on it to issue an auditor's report 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 Hungarian National Standards on Auditing 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 users' economic decisions taken on the basis of the given Annual Report.

Throughout the audit conducted in accordance with the Hungarian National Standards on Auditing we exercise professional judgement and maintain professional scepticism.

We also:

- Identify and assess the risks of material misstatements of the Annual Report, 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





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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 given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Draw a conclusion, whether using of going concern as a basis, the compilation of the Annual Report by management is appropriate, and based on the audit evidence obtained also whether any material uncertainty exists in connection with such events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If it is concluded that there is a material uncertainty, then in our independent auditor's report we have to call the attention to the related disclosures in the Annual Report, or if the disclosures are not appropriate in this respect, then we have to issue a qualified opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause that the Company will not be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Annual Report, including the disclosures made in the supplementary notes, and also whether the Annual Report represents the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance – among other matters – the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we identify during our audit, if there were any.

Budapest, 18 June 2018

Waltraud Körbler  
Grant Thornton Audit Kft.  
1093 Budapest, Vámház krt. 13.  
Company Court Registration Number: 000168

Ildikó Leveles  
Registered Auditor  
Chamber Membership Reg. No.: 007015

“This Report has been prepared originally in Hungarian language and the Hungarian original version has been signed by the Parties. In case of disputes the Hungarian version shall prevail.”