



Warth & Klein
Grant Thornton

Apollo Vredestein GmbH, Vallendar

Report on the audit of the consolidated financial
statements and Group management report
for the financial year ended 31 March 2018

**Translation for our client's Convenience –
(The German text is authoritative)**

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With regard to using rounded amounts and percentages, we would like to point out that rounding differences might occur due to commercial rounding practices.

1. Audit Engagement

By resolution of the ordinary shareholders' meeting on 14 November 2017 of

Apollo Vredestein GmbH, Vallendar,

(hereinafter also referred to as „Apollo Vredestein“ or „parent company“/„parent company“)

we, Warth & Klein Grant Thornton AG, Frankfurt am Main, have been elected as group auditor for the financial year 2017/2018. The management appointed us to audit the consolidated financial statements and the group management report for the financial year from 1 April 2017 to 31 March 2018.

Pursuant to section 316 paragraph 2 HGB our audit of the consolidated financial statements and the group management report is a statutory audit as set up in sections 316 cont. HGB.

Pursuant to section 321 paragraph 4a HGB we confirm that we observed the applicable regulations on auditor's independence in our audit.

We have prepared the following report on the results of our audit. The long-form audit report has been prepared in accordance with section 321 HGB and generally accepted standards for reporting in accordance with IDW AuS 450.

Execution of our engagement and our responsibility, also in relation to third parties, are governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Audit Firms] as of 1 January 2017 (see Appendix 8). The extent of our liability is determined by section 323 paragraph 2 HGB. In relation to third parties number 1 section 2 and number 9 of these General Engagement Terms are decisive.

2. Basic findings

2.1. Statement on the assessment of the group's economic situation by the management

The following statements contained in the group management report prepared by the company's management are from our point of view of particular importance for the assessment of the group's economic position and future development with its material opportunities and risks:

Economic position and business performance:

1. Net revenues decreased by EUR 3.2 million to EUR 133.2 million, mainly in connection with a change in sales strategy in the online trading of the Apollo Group. The resulting decline in revenues from intra-Group customers could not be fully offset by the expansion of business with third parties.
2. Net income for the year declined by EUR 3.3 million to EUR 1.6 million.
3. The cost of sales ratio, based on sales, increased significantly to 86.4 % compared to the previous year (83.7 %).
4. Liabilities to the shareholder decreased by EUR 9.9 million to EUR 8.8 million (previous year: EUR 18.7 million) due to increased repayment as a result of improved liquidity.
5. In the year under review, the company financed new and reinvestments from current cash flow and is still not dependent on financial support from the parent company.

These key statements on the economic position and on the business performance have been sufficiently detailed in the group management report. For further details we therefore refer to the group management report, which is attached to this report as Appendix 6.

Future development with its material opportunities and risks

1. For financial year 2018/19, the company does not expect any recovery in relation to stagnating raw material prices. Against this background, the development of raw material prices must continue to be classified as a risk factor.
2. The price transparency, not least due to online trading, entails certain risks for the Vredestein and Apollo brands, as qualitative marketing can only be guaranteed through specialist tyre dealers.
3. With regard to the successfully completed OE certifications at the Greenfield plant in Hungary, management sees opportunities for long-term expansionary business areas as suppliers to the automotive industry.
4. Opportunities will also arise from the start of sales of truck tyres on the German replacement market. The excellent price-performance ratio is expected to provide positive impulses for an increase in sales and earnings.

5. In the coming 2018/2019 financial year, the company expects sales to increase by 10% year-on-year, driven by a slight increase in sales figures and an improved product mix, as well as the introduction of Apollo brand truck tires in Germany.

These key statements on opportunities and risks of the future development of the group have been sufficiently detailed in the group management report. For further details we therefore refer to the group management report, which is attached to this report as Appendix 6.

Summarized assessment

On the basis of the assessment of the economic position of the group which we have been able to derive from the knowledge obtained during our audit of the consolidated financial statements and the group management report, we have come to the conclusion that the management's presentation and assessment of the position of the group, in particular concerning the going concern and the future development of the company with its material opportunities and risks reflected on the consolidated financial statements and in the group management report is acceptable.

2.2. Irregularities

2.2.1. Other irregularities

Within our audit, we identified the following non-compliance with other legal requirements.

Disregarding the requirements set up in sections 325 cont. HGB the consolidated financial statements and the group management report of the prior year were not submitted to the electronic Federal Gazette at due date by the management. In this regard, we refer to section 335 HGB.

3. Reproduction of the auditor's report

Based on the final result of our audit, we have issued the auditor's report as reproduced below on the consolidated financial statements attached as Appendix 1 to Appendix 5 and on the group management report attached as Appendix 6 for the financial year from 1 April 2017 to 31 March 2018 of Apollo Vredestein GmbH, Vallendar:



Reproduction of the
auditor's report

Bestätigungsvermerk des Abschlussprüfers

Wir haben den von der Apollo Vredestein GmbH, Vallendar, aufgestellten Konzernabschluss – bestehend aus Konzernbilanz, Konzern-Gewinn- und Verlustrechnung, Konzerneigenkapitalspiegel, Konzernkapitalflussrechnung sowie Konzernanhang – und den Konzernlagebericht für das Geschäftsjahr vom 1. April 2017 bis zum 31. März 2018 geprüft. Die Aufstellung von Konzernabschluss und Konzernlagebericht nach den deutschen handelsrechtlichen Vorschriften liegt in der Verantwortung der gesetzlichen Vertreter der Gesellschaft. Unsere Aufgabe ist es, auf der Grundlage der von uns durchgeführten Prüfung eine Beurteilung über den Konzernabschluss und den Konzernlagebericht abzugeben.

Wir haben unsere Konzernabschlussprüfung nach § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung vorgenommen. Danach ist die Prüfung so zu planen und durchzuführen, dass Unrichtigkeiten und Verstöße, die sich auf die Darstellung des durch den Konzernabschluss unter Beachtung der Grundsätze ordnungsmäßiger Buchführung und durch den Konzernlagebericht vermittelten Bildes der Vermögens-, Finanz- und Ertragslage wesentlich auswirken, mit hinreichender Sicherheit erkannt werden. Bei der Festlegung der Prüfungshandlungen werden die Kenntnisse über die Geschäftstätigkeit und über das wirtschaftliche und rechtliche Umfeld des Konzerns sowie die Erwartungen über mögliche Fehler berücksichtigt. Im Rahmen der Prüfung werden die Wirksamkeit des rechnungslegungsbezogenen internen Kontrollsystems sowie Nachweise für die Angaben im Konzernabschluss und Konzernlagebericht überwiegend auf der Basis von Stichproben beurteilt. Die Prüfung umfasst die Beurteilung der Jahresabschlüsse der in den Konzernabschluss einbezogenen Unternehmen, der Abgrenzung des Konsolidierungskreises, der angewandten Bilanzierungs- und Konsolidierungsgrundsätze und der wesentlichen Einschätzungen der gesetzlichen Vertreter sowie die Würdigung der Gesamtdarstellung des Konzernabschlusses und des Konzernlageberichts. Wir sind der Auffassung, dass unsere Prüfung eine hinreichend sichere Grundlage für unsere Beurteilung bildet.

Unsere Prüfung hat zu keinen Einwendungen geführt.

Nach unserer Beurteilung aufgrund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Konzernabschluss der Apollo Vredestein GmbH, Vallendar, für das Geschäftsjahr vom 1. April 2017 bis zum 31. März 2018 den gesetzlichen Vorschriften und vermittelt unter Beachtung der Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage des Konzerns. Der Konzernlagebericht steht in Einklang mit dem Konzernabschluss, entspricht den gesetzlichen Vorschriften, vermittelt insgesamt ein zutreffendes Bild von der Lage des Konzerns und stellt die Chancen und Risiken der zukünftigen Entwicklung zutreffend dar.

Frankfurt am Main, den 11. Mai 2018

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Maximilian Meyer zu Schwabedissen
Wirtschaftsprüfer

Manuel Selchow
Wirtschaftsprüfer



The following repetition of the auditor's report in English language is for translation purposes only:

„Auditor's Report

We have audited the consolidated financial statements – comprising the consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of changes in equity, the consolidated cash flow statement as well as the notes to the consolidated financial statements – and the group management report of Apollo Vredestein GmbH, Vallendar, for the financial year from 1 April 2017 to 31 March 2018. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with paragraph 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in

the determination of audit procedures. Within the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are verified primarily on a sample basis. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Apollo Vredestein GmbH, Vallendar, for the financial year from 1 April 2017 to 31 March 2018 comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development."

On publication or further submission of the consolidated financial statements and/or the group management report in a form other than that certified by us (including translations into other languages), a further statement will be required from us if our audit opinion is cited or reference is made to our audit; we refer hereby in particular to section 328 HGB.

4. Subject, nature and extent of the audit

4.1. Subject of the audit

Subject of our audit were the consolidated financial statements – comprising the consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements – together with the group accounting records and the group management report of Apollo Vredestein and its subsidiaries (the group) for the financial year from 1 April 2017 to 31 March 2018.

The consolidated financial statements and the group management report have been prepared on the basis of the accounting principles of the German Commercial Code in connection with the relevant regulations of the GmbHG.

We have audited the consolidated financial statements taking into consideration audit evidence for the asset and liability items and compliance with the HGB regulations with regard to the recognition, measurement and classification of the consolidated financial statement items and for the required disclosures in the notes to the consolidated financial statements. The audit of the consolidated financial statements also comprised the audit of the scope of consolidated entities, the correctness of the financial information/financial statements included in the consolidated financial statements, the reconciliation of the financial information/financial statements to the HGB regulations applicable to the consolidated financial statements as well as the consolidation measures taken. In addition to that we have audited compliance with the relevant regulations of the GmbHG. We also included the group accounting records in our audit.

The legal representatives of the group are responsible for the group accounting records and for preparing the consolidated financial statements and the group management report as well as for the representations they make to us. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

The audit of compliance with other regulations is only relevant to the audit of consolidated financial statements insofar as these regulations normally have an impact on the consolidated financial statements or the group management report.

According to section 317 paragraph 4a HGB, the audit also has not to be extended to whether the going concern of the parent company or of consolidated entities or the management's effectiveness and efficiency can be guaranteed.

4.2. Nature and extent of the audit

We conducted our audit in accordance with section 317 HGB and German generally accepted auditing standards promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany] (IDW). These standards require that we plan and perform the audit so that we can determine with reasonable assurance whether the group accounting records, the consolidated financial statements and the group management report are free from material misstatements. Within the audit, evidence supporting the disclosures in the group accounting records, the consolidated financial statements and the group management report is verified primarily on a sample basis. Our group audit includes the audit of the scope of consolidated entities, the correctness of the financial information/financial statements included in the consolidated financial statements, the consolidation adjustments as well as the consolidation measures taken. Furthermore, the audit includes the assessment of the accounting principles used and significant estimates made by the management, as well as the evaluation of the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

The audit was planned and performed by taking a risk-oriented approach. Based on this approach, we derived the nature and scope of the audit procedures to be performed from several criteria.

Within our risk-oriented approach we assessed the risk of material misstatements in the accounting due to fraud and error (= misstatement risk) regarding the presentation of business transactions or account balances and disclosures. The assessment of these risks was based on an analysis of the business environment (in particular industry specific factors) of the group and consolidated entities (in particular industry specific factors) and management representations of the parent company and consolidated entities on significant corporate aims and strategies and on business risks (client specific factors). Furthermore, our preliminary assessment of the group's position and the general assessment of the accounting-related internal control system were considered in our risk assessment.

Based on the risk assessment, we determined the following critical assertions and matters:

- Regularity of the financial statements included in the scope of consolidation
- Regularity of capital consolidation, debt consolidation and expense and income consolidation

On these critical assertions and matters we have aligned our audit plan.

Within this, both tests of controls of the internal control system – when relying on the effectiveness of the internal control system in order to determine substantive audit procedures or when required – and substantive audit procedures have been performed.

Based on the risk assessment, we identified significant components of the group, e.g. subsidiaries, which are significant due to their individual financial significance or because they are likely to include significant risks of material misstatements in the group accounting, and determined the type of work to be performed by us or

the component auditor with regard to the assessment of the financial information/financial statements included in the consolidated financial statements and of their reconciliation to the accounting standards applicable to the consolidated financial statements.

In addition – based on our risk assessment – we performed audit procedures with regard to the assessment of the consolidation measures taken and the verification of asset and liability items, the compliance with applicable requirements of the HGB regulations on recognition, measurement and classification of the financial statements items and the necessary disclosures in the notes to the consolidated financial statements.

As far as the financial information/financial statements included in the consolidated financial statements and their reconciliation to the applicable HGB regulations to the uniform group accounting policies (consolidation adjustments) have not been audited by a component auditor for group auditing purposes, we have performed audit procedures by ourselves – if necessary – in accordance with section 317 paragraph 3 clause 1 HGB with regard to the adherence to the legal requirements as well as with regard to the correctness of the consolidation adjustments.

Starting point for our audit were the consolidated financial statements and the group management report from the prior financial year from 1 April 2016 to 31 March 2017 in unaudited form.

With regard to the opening balances we have examined whether they have been correctly brought forward from the previous financial year's consolidated financial statements. In accordance with IDW AuS 205 we have performed additional audit procedures to obtain sufficient audit evidence that the opening balances not audited by us did not contain any misstatements that materially affect the consolidated financial statements subject to audit. In particular, we have audited all consolidation entries from the previous year's financial statements.

Both tests of controls and tests of detail were performed on the basis of audit sampling or the selection of specific items.

As part of our tests of details we obtained confirmations of balances from the customers and the suppliers. The selection of the items to be tested was based on our risk assessment, the evaluation of the accounting-related internal control system as well as the nature and extend of the transactions subject to audit, using audit sampling.

In assessing the measurement of the provisions for pensions we used the results of the actuarial report issued by the independent expert Towers Watson GmbH, Frankfurt am Main, as commissioned by the company. Based on our evaluation of the competence, capabilities and objectivity Towers Watson GmbH, Frankfurt am Main, we have convinced ourselves that the nature and extent of the work of Towers Watson GmbH, Frankfurt am Main, is adequate for the purposes of our financial statements audit and that we can use the information contained in the actuarial appraisal as sufficient appropriate audit evidence to assess the valuation of the pension provisions.

We have assessed future-related information in the management report against the background of the information provided in the annual financial statements with regard to plausibility and conformity with the findings of the audit.

We performed our audit work with interruptions from 19 March 2018 to 11 May 2018.

The management of the parent company, the legal representatives of the subsidiaries and named contact persons provided us with all explanations and supporting documents requested. The management confirmed in writing the completeness of the consolidated financial statements and the group management report presented to us.

For the financial information/financial statements of components that have not been audited by a component auditor and where audit procedures were necessary required for group auditing purposes, we have requested and received a standard written letter of representation.

5. Findings and explanations on the group accounting

5.1. Correctness of the group accounting

5.1.1. Scope of consolidation and group balance sheet date

The subsidiaries included in the consolidated financial statements accounted for using the equity method are presented in the notes to the consolidated financial statements.

The scope of consolidation has not changed compared to the previous financial year.

Overall, in our opinion, based on the knowledge obtained in our audit, the scope of consolidation has been properly determined in compliance with the requirements of the German commercial law. The scope of consolidation has been determined consistently. In our opinion, based on the knowledge obtained in our audit, the disclosures made in the notes to the consolidated financial statements regarding the companies included in the consolidated financial statements are complete and correct.

In accordance with section 299 paragraph 1 HGB the consolidated financial statements have been prepared as at the balance sheet date of the parent company, which is 31 March 2018. The financial year of all consolidated subsidiaries also ends on 31 March 2018.

5.1.2. Financial information included in the consolidated financial statements

In our opinion, based on the knowledge obtained in our audit of the consolidated financial statements, the financial information/financial statements included in the consolidated financial statements have been prepared properly. The reconciliation to the uniform group accounting policies by means of the so called "Handelsbilanz II", if necessary, was performed properly. Therefore, the financial information/financial statements are an appropriate basis for the consolidation.

5.1.3. Consolidated financial statements

In our opinion, based on the knowledge obtained in our audit, the consolidated financial statements of Apollo Vredestein attached as Appendix 1 to Appendix 5 – comprising the consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements – for the financial year from 1 April 2017 to 31 March 2018 comply with the provisions of the German commercial law and with the applicable regulations of the GmbHG.

The consolidated financial statements for the year ended 31 March 2018 have been prepared computer-aided. The consolidation procedures are performed by using Microsoft Excel.

The group accounting records, i.e. all documentation concerning consolidation, are maintained in a proper manner. The recording of relevant matters and transactions to be consolidated as well as the processing of the consolidation entries ensure appropriately that the consolidated financial statements are properly derived from the individual financial statements.

Within our audit, we identified that the organizational and technical measures taken by the company are appropriate to ensure the security of data and IT- systems relevant to group financial reporting.

In our opinion, based on the knowledge obtained in our audit, the consolidated financial statements have been prepared properly based on the financial information/financial statements of the components included in the consolidated financial statements and the supplementary evidence concerning the consolidation measures. The consolidation measures used are in compliance with the requirements of the German commercial law, the consolidation measures were performed appropriately. The consolidation entries have been properly brought forward.

In our opinion, based on the knowledge obtained in our audit, the consolidated cash flow statement and the consolidated statement of changes in equity comply with the principles for financial reporting in consolidated financial statements.

In our opinion, based on the knowledge obtained in our audit, the disclosures made in the notes to the consolidated financial statements are complete and accurate.

With reference to section 314 paragraph 3 sentence 2 in connection with section 286 paragraph 4 HGB, the management of the parent company did not disclose remuneration of the governing bodies pursuant to section 314 paragraph 1 no. 6 characters a) and b) HGB. We confirm that the legal requirements for making use of the protection clause have been fulfilled.

5.1.4. Group management report

In our opinion, based on the knowledge obtained in our audit, the group management report of Apollo Vredestein for the financial year from 1 April 2017 to 31 March 2018 attached as Appendix 66 complies with the legal requirements, is consistent with the consolidated financial statements and with the knowledge obtained in our audit and, as a whole, provides a suitable view of the group's position. Our audit has led to the result that the significant opportunities and risks of future development are appropriately described in the group management report and that the disclosures pursuant to section 315 paragraph 2 and 3 HGB are complete and accurate.

5.2. Overall view presented by the consolidated financial statements

5.2.1. Statement on the overall view presented by the consolidated financial statements.

In our opinion, based on the knowledge obtained in our audit, the consolidated financial statements of Apollo Vredestein, audited by us and attached to this report as Appendix 1 to Appendix 5, give a true and fair view of the net assets, financial position and results of operations of the group in accordance with German principles of proper accounting.

5.2.2. Valuation principles and transactions with significant impact

The recognition, measurement and consolidation methods and further material valuation principles are presented in the notes to the consolidated financial statement (see Appendix 5). Compared with the prior year, no changes of recognition, measurement and consolidation methods were made.

5.2.2.1. Transactions with significant impact

To our assessment, based on the knowledge obtained in our audit, transactions with significant impact on the overall presentation of the consolidated financial statements did not occur.

5.2.3. Analyses supporting the understanding of the overall presentation

For a better understanding of key facts, we provide the following breakdowns to underline the overall presentation.

5.2.3.1. Financial situation

The following overview shows the combined balance sheet figures as of March 31, 2018 sorted by maturity and economic situation and compared with the previous year's figures.

	2017/18		2016/17		T€	in %
	T€	%	T€	%		
Fixed Assets	124	0,2%	183	0,3%	-59	-32,2%
Long-term bound assets	124	0,2%	183	0,3%	-59	-32,2%
Inventory	1.795	3,3%	1.321	2,2%	474	35,9%
Trade Receivables	39.130	71,8%	33.547	57,0%	5.583	16,6%
Intercompany Receivables	7.379	13,5%	16.092	27,4%	-8.713	-54,1%
Other Assets	4.023	7,4%	4.260	7,2%	-237	-5,6%
Cash-in hand and bank balances	2.015	3,7%	3.388	5,8%	-1.373	-40,5%
Prepaid Expenses	43	0,1%	43	0,1%	0	0,0%
Short to medium term committed assets	54.385	99,8%	58.651	99,7%	-4.266	-7,3%
Total Assets	54.509	100,0%	58.834	100,0%	-4.325	-7,4%

	2017/18		2016/17		Change	
	T€	%	T€	%	T€	in %
Subscribed Capital	512	0,9%	512	0,9%	0	0,0%
Capital Reserves	2.005	3,7%	2.005	3,4%	0	0,0%
Retained Profit	26.225	48,1%	24.627	41,9%	1.598	6,5%
Balance Sheet Equity	28.742	52,7%	27.144	46,1%	1.598	5,9%
Provisions for pensions	6.278	11,5%	5.932	10,1%	346	5,8%
Long-term liabilities	6.278	11,5%	5.932	10,1%	346	5,8%
Long-term financing	35.020	64,2%	33.076	56,2%	1.944	5,9%
Tax provision	928	1,7%	0	0,0%	928	N.A.
Other provisions	3.644	6,7%	2.824	4,8%	820	29,0%
Trade Payables	477	0,9%	405	0,7%	72	17,8%
Intercompany Payables	300	0,6%	31	0,1%	269	867,7%
Liabilities to shareholders	8.767	16,1%	18.677	31,7%	-9.910	-53,1%
Other Liabilities	5.373	9,9%	3.821	6,5%	1.552	40,6%
Short to medium term liabilities	19.489	35,8%	25.758	43,8%	-6.269	-24,3%
Total Liabilities	54.509	100,0%	58.834	100,0%	-4.325	-7,4%

5.2.3.2. Financial position

The following cash flow statement shows the cash flow from operating and investing activities of the Group and the resulting change in cash and cash equivalents.

	2017/18 T€	2016/17 T€	Change T€
Net Profit	1.598	4.886	-3.288
+/- Depreciation / write-ups on fixed assets	64	76	-12
+/- Increase / decrease in provisions	2.094	-406	2.500
Increase / decrease in inventories, trade receivables and other assets not attributable to			
-/+ investing or financing activities.	2.893	-14.111	17.004
Increase / decrease in trade payables and other liabilities not attributable to investing or financing			
+/- activities.	-8.017	9.355	-17.372
+/- Interest expense / interest income	293	415	-122
= Cash flow from operating activities	-1.075	215	-1.290
- Payments for investments in fixed assets	-5	-36	31
+ Received interest	274	79	195
= Cash flow from investing activities	269	43	226
- Paid interest	-567	-494	-73
= Cash flow from financing activities	-567	-494	-73
Changes in cash and cash equivalents	-1.373	-236	-1.137
+ Financial funds at the beginning of the period	3.388	3.624	-236
= Financial funds at the end of the period	2.015	3.388	-1.373

5.2.3.3. Financial performance

	2017/18		2016/17		Change	
	T€	%	T€	%	T€	in %
Sales	133.151	100,0	136.423	100,0	-3.272	-2,4%
Performance	133.151	100,0	136.423	100,0	-3.272	-2,4%
Cost of materials	-114.982	-86,4	-114.128	-83,7	-854	0,7%
Gross Profit	18.169	13,6	22.295	16,3	-4.126	-18,5%
Other Income	611	0,5	14	0,0	597	4.264,3%
Personnel expenses	-2.979	-2,2	-3.346	-2,5	367	-11,0%
Depreciation	-64	0,0	-76	-0,1	12	-15,8%
Other Expenses	-12.917	-9,7	-11.565	-8,5	-1.352	11,7%
EBIT	2.820	2,1	7.322	5,4	-4.502	-61,5%
Other interest and similar income	274	0,2	79	0,1	195	246,8%
Other interest and similar expenses	-567	-0,4	-494	-0,4	-73	14,8%
Net interest income	-293	-0,2	-415	-0,3	122	-29,4%
Adjusted Operating Result	2.527	1,9	6.907	5,1	-4.380	-63,4%
Taxes on income	-928	-0,7	-2.021	-1,5	1.093	-54,1%
Net income for the financial year	1.599	1,2	4.886	3,6	-3.287	-67,3%

6. Concluding remarks

At parent company level, key audit partner in terms of the German Professional Statute for German public accountants and German sworn auditors (Berufssatzung WP/vBP) are WP Manuel Selchow – being primarily responsible for the audit of the consolidated financial statements (engagement partner) – and WP Maximilian Meyer zu Schwabedissen as additionally responsible key audit partner.

We provide this report concerning the audit of the consolidated financial statements and the group management report of Apollo Vredestein GmbH, Vallendar, for the financial year from 1 April 2017 to 31 March 2018 in accordance with the legal requirements and the generally accepted standards for audit reporting (IDW AuS 450).

The auditor's report issued by us is repeated in section 3 of this report.

Frankfurt am Main, 11 May 2018

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Maximilian Meyer zu Schwabedissen
Wirtschaftsprüfer

Manuel Selchow
Wirtschaftsprüfer

Appendices

Apollo Vredestein GmbH, Vallendar

Consolidated Income Statement for the Financial Year 2017/2018

	31.03.2017	prior year
1. Sales revenues	133.151.404,64	136.422.882,42
2. Other operating income	610.816,65	14.332,47
3. Cost of materials	-114.982.246,02	-114.127.707,80
4. Personnel expenses		
a) Wages and salaries	-2.356.343,05	-2.589.677,93
b) Social security and post-employment costs as well as other employee benefits	-622.277,04	-756.099,52
- of which post-employment costs: EUR 269.166,28 (i. py.k EUR 271)		
5. Amortisation of and write-downs on tangible fixed assets, depreciation and write-downs on tangible fixed assets	-64.113,77	-75.879,30
6. Other operating expenses	-12.917.313,98	-11.565.456,70
7. Other interest and similar income	274.083,18	78.519,84
8. Other interest and similar expenses	-567.336,00	-493.951,00
9. Result before tax	2.526.674,61	6.906.962,48
10. Taxes on income	-928.480,25	-2.020.892,55
11. Net income for the financial year	1.598.194,36	4.886.069,93
12. Retained profits brought forward from prior year	24.627.269,83	19.741.199,90
13. Net retained profits	26.225.464,19	24.627.269,83

Apollo Vredestein GmbH, Vallendar/Germany
Notes to the consolidated annual financial statements
for the financial year 2017/2018

General Notes

(1) General information

Apollo Vredestein GmbH, headquartered in Vallendar, is registered under HRB 1263 in the District Court Koblenz.

The annual financial statements were prepared as of March 31, 2018 according to the accounting principles of the German Commercial Code (HGB) and the German Law on Limited Liability Companies (GmbHG). It comprises the consolidated balance sheet, the consolidated income statement, the notes to the consolidated financial statements, the statement of changes in equity and the cash flow statement. The overall cost method was retained for the income statement.

(2) Accounting and Valuation Methods

Fixed assets are valued at acquisition cost less scheduled depreciation. Scheduled amortization of intangible assets and depreciation of tangible assets is carried out on a straight-line basis over the normal useful life. Additions to movable assets were written off pro rata temporis.

Assets with an individual value of up to EUR 150.00, which were acquired or manufactured after 31 December 2007, are fully depreciated in the year of acquisition. Low value assets with acquisition costs between EUR 150.00 and EUR 1,000.00 are capitalized within a compound item in compliance with § 6 para. 2a German Income Tax law (EStG) in the year of acquisition. The compound item of a financial year is depreciated over the year of its formation and the following four financial years by one fifth.

Financial assets are stated at purchase price or fair value. In the case of expected permanent impairment, the assets are amortized based on impairment tests to the lower fair value.

Inventories are valued at average acquisition cost or lower fair value as of the balance sheet date. Inventory risks are taken into account by making appropriate deductions.

Receivables and other assets are generally stated at their nominal value. Identifiable risks are taken into account through specific valuation allowances.

For the calculation of the general allowance, the percentage used was reduced from 5% in previous years to 3.5%. The reason for this change is the existing credit insurance and the low number of bad debts in recent years. The change in the percentage rate leads to a lower allowance of kEUR 45.

Credit balances with banks and cash on hand are stated at their nominal value.

Pension and anniversary obligations are calculated using the projected unit credit method according to recognized principles of actuarial mathematics, with an interest rate of 3.57%. We used the mortality tables 2005G by Prof. Dr. Klaus Heubeck, Cologne, as a basis.

Adequate provisions were set up for all identifiable risks and contingent liabilities according to the settlement value and maturity date.

Liabilities are stated at the amount to be paid.

Deferred taxes are determined for temporary differences between the commercial and tax values of assets and liabilities. The company does not only include the differences from its own balance sheet items, but also those that exist in the case of partnerships in which the company is a shareholder. Deferred taxes are calculated on the basis of the company's combined income tax rate at present amounting to 28.95%. The combined income tax rate includes corporation tax, solidarity surcharge and trade tax. Deviating from this, in case of co-operations in the legal form of partnerships we calculate deferred taxes from temporary balance sheet differences on the basis of a combined income tax rate, which solely includes corporation tax and solidarity surcharge, at present amounting to 15.825%.

The amount blocked for distribution pursuant to section 253 (6) sentence 2 HGB amounts to TEUR 959 and results from the initial recognition of the pension provision based on the average market interest rate of the past 10 years (previous year: 7 years).

Notes to the consolidated balance sheet

(3) Fixed assets

The development of the fixed assets, which is based on the total purchase cost, is shown in the summary of fixed assets.

(4) Financial assets

Financial assets relate to a capital contribution of 0.1% to the share capital of Vredestein Polska SP.zo.o. (PLN 50) amounting to EUR 12.84. The company was founded on 1 April 2007 with a capital of PLN 50,000 (EUR 15,000).

(5) Receivables and other assets

All receivables and other assets are due within one year.

Trade receivables amount to EUR 39.1 million (previous year EUR 33.5 million).

The receivables from affiliated companies amount to EUR 7.4 million (previous year: EUR 16.1 million) and derive from receivables.

(6) Prepaid expenses

The prepaid expenses relate to payments made in connection with annual services to insurance companies.

(7) Equity

The subscribed capital of Apollo Vredestein GmbH amounted to TEUR 512 as of March 31, 2018 and is fully paid up (previous year: TEUR 512). Capital reserves amounted to TEUR 2,005 (previous year: TEUR 2,005) as of the reporting date. The balance sheet profit is calculated as follows:

Profit carried forward	EUR 24,627,269.83
Net income	EUR 1,598,194.36
Retained earnings	EUR 26,225,464.19

(8) Accruals

The pension obligations are measured according to actuarial principles using the so-called "projected unit credit method" (PUC method). The 2005G mortality tables by Prof. Dr. Klaus Heubeck, Cologne were used as a biometric basis. The following assumptions form the basis of the valuation:

Annual interest rate: 3.57 %

Annual pension trend: 1.75 %

We applied a ten-year average fixed discount rate using the published data of Deutsche Bundesbank (Federal Bank of Germany) assuming a maturity of 15 years. Based on the average interest rate for the last seven years, there would be an increase for the provision of TEUR 959. This amount is subject to the distribution lock pursuant to Section 253 (6) sentence 2 HGB.

Other provisions increased by EUR 0.82 million to EUR 3.64 million. The main items are provisions for customer bonuses of EUR 1.22 million (previous year: EUR 1.50 million), for customer discounts of EUR 0.96 million (previous year: EUR 0.59 million), for freight costs of EUR 0.25 million (previous year: EUR 0.11 million), for personnel expenses of EUR 0.29 million (previous year: EUR 0.40 million) and for miscellaneous of EUR 0.74 million (previous year: EUR 0.16 million).

(9) Liabilities

The liabilities and maturities are shown in the following table (the figures for the previous years are given in brackets):

	Total amount of liabilities	Remaining term			Secured by liens or similar rights	Type of security
		up to one year	up to five years	more than five years		
	TEUR	TEUR	TEUR	TEUR		
Trade payables	478 (405)	478 (405)				

Liabilities to affiliated companies	300 (31)	300 (31)				
Liabilities to shareholder	8.767 (18.677)	8.767 (18.677)				
Other liabilities	5.373 (3.820)	5.373 (3.820)				
Sum	14.918	14.918				

The liabilities to the shareholder Apollo Vredestein B.V. mainly result from deliveries and services in the amount of EUR 31.2 million (previous year: EUR 42.1 million). The outstanding liabilities were offset against cash pool receivables in the amount of EUR 22.4 million.

(10) Contingent liabilities

The total amount of contingent liabilities amounts to EUR 50 million. Within the scope of financing the Group, Apollo Vredestein GmbH issued – together with another affiliated company – a guarantee in favor of Apollo Vredestein B.V.

Due to the positive bank balance as of March 31, 2018, there are no guarantee obligations as of the balance sheet date (previous year: EUR 33.7 million). According to the financing agreement, the utilization of Apollo Vredestein GmbH is limited to the balance sheet equity of the company.

(11) Other financial commitments

The total amount of other financial obligations amounts to:

TEUR	< year	1-2 years	2-3 Jyears	3-5 years
Rental and leasing rates	575	42	42	0

In the medium term, we anticipate an increase of rental and leasing obligations due to the expansion of the Apollo brand.

Notes to the consolidated income statement

Net sales revenues were generated in Germany and can be analyzed as follows:

TEUR	Financial year 2017/18	Financial year 2016/17
Automobile tires	112,037	121,147
Other tires	21,114	15,276
Net sales	133,151	136,423

Other operating income mainly results from insurance compensation for bad debts and amounts to EUR 0.611 million (previous year: EUR 0.014 million).

Other operating expenses result from:

TEUR	Financial year 2017/18	Financial year 2016/17
Marketing & Advertising	5.284	4.662
Freight costs	4.036	3.583
Trade fair & promotion	623	412
Travel and hospitality expenses	497	444
Sponsoring	448	538
General allowance	0	49
Miscellaneous expenses	2.029	1.877
Sum	12.917	11.565

Other operating expenses of EUR 12.917 million (previous year: EUR 11.565 million) were higher than in the previous year due to higher marketing investments und higher freight costs.

Other interest and similar income result from interest income from the shareholder in the amount of EUR 0.274 million (previous year: EUR 0.079 million) in connection with the cash pool receivable from the parent company.

Other interest and similar expenses include interest expenses of EUR 0.567 million (previous year: EUR 0.494 million) in connection with additions to pension provisions.

Income taxes relate exclusively to operating business including deferred taxes.

(12) Other Disclosures

Deferred tax assets mainly result from the different tax valuation of pension obligations (EUR 3.807 million). The option pursuant to Section 274 HGB to capitalize deferred taxes was not exercised.

The Apollo Vredestein GmbH Group employed an average of 45 (previous year: 45) employees in the financial year from April 1, 2017 to March 31, 2018.

(13) Bodies of the company

The managing directors of Apollo Vredestein GmbH during the reporting period were:

Mr. Michael Lutz, Director, Mühlheim (until December 31, 2017)

Mr. Thomas Körpert, Director, Hofheim am Taunus (since November 21, 2017)

Mr. Matthias Urban, Director, Bad Homburg

With regard to the disclosures pursuant to Section 285 No. 9a HGB, the safeguard clause pursuant to Section 286 (4) HGB has been applied, as only Mr. Michael Lutz received remuneration from the company in the financial year.

The managing directors have sole power of representation.

(14) Information on consolidation activities

In addition to Apollo Vredestein GmbH, Vallendar, as parent company, the consolidated financial statements as of March 31, 2018 include the following group companies:

	<u>shares</u>
Vredestein Marketing B.V. & Co.KG, Schönefeld	100%

The scope of consolidation has not changed compared to the previous year.

Consolidation methods

Consolidation was carried out according to the principle of full consolidation.

I. Capital consolidation

Pursuant to Section 301 (1) HGB, the assets and liabilities of the companies included in the consolidation are to be recognized in the consolidated balance sheet instead of the investment values.

Pursuant to Section 301 (3) HGB, any difference between the carrying amount of the investment and the proportionate equity of the investment company must be shown separately.

In principle, the revaluation method is applied. The date of first-time consolidation is the date on which the company became a subsidiary.

The company was consolidated for the first time in fiscal 2012/2013. The carrying amount of the investment was offset against the pro rata equity of Vredestein Marketing B.V. & Co.KG, Schönefeld. The resulting difference of EUR 0.075 million was written off in full in the first year.

Capital consolidation in accordance with § 301 HGB has been carried out in accordance with the statutory provisions.

Amortization of goodwill

Since financial 2012/2013, goodwill is no longer amortized.

II. Consolidation of debts

According to Section 303 HGB, receivables and liabilities between the companies included in the consolidated financial statements must be eliminated.

III. Profit consolidation

Pursuant to Section 304 HGB, assets which wholly or partly represent deliveries and services of other consolidated companies can only be valued at the so-called "Group acquisition or production costs". Any resulting "intercompany profits" must be eliminated.

The non-cash contribution of the customer base to Vredestein Marketing B.V. & Co.KG made in the 2012/2013 financial year was reversed as part of the initial consolidation as an internal Group business.

In this respect, the capitalized customer base was offset against extraordinary income and pro rata depreciation. Furthermore, the corresponding deferred taxes of this business transaction had to be eliminated.

Since the 2013/2014 financial year, depreciation and deferred taxes from the above-mentioned business transaction must be eliminated annually in the course of consolidation with an effect on net income.

IV. Consolidation of income and expenses

The consolidated income statement was generally prepared as a fully consolidated income statement. In accordance with Section 305 (1) No. 1 HGB, trade revenues between the companies included in the consolidated financial statements are to be offset in the fully consolidated income statement against the expenses incurred by the recipients of the goods and services, depending on their nature.

The same applies to other operating expenses/income and interest expenses/income.

Deferred taxes in the Group

In accordance with Section 306 HGB, deferred taxes were taken into account for the differences between the individual financial statements and the consolidated financial statements.

Associated companies

Due to the lack of significant influence, no use was made of the equity consolidation for the investments in accordance with Section 311 (2) HGB. Investments are generally recognized at cost.

Other Notes

(15) Group affiliation

The company has been part of the Apollo Group since May 2009. As the controlling company, Apollo Tyres Group, India, prepares the consolidated financial statements in which Apollo Vredestein GmbH is included. The consolidated financial statements are available at the Registrar of Companies, Kerala, under the Companies Act. 1956 (No. 1 of 1956).

(16) Audit fees

The fee paid to the auditor for the preparation of the annual audit (IFRS und HGB) for the financial year ending March 31, 2017 amounts to EUR 0.053 million.

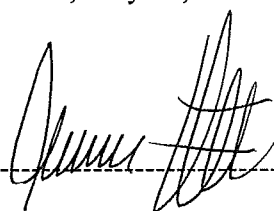
(17) Appropriation of net income

Management proposes to carry forward the net income of EUR 1.598 million.

(18) Subsequent events

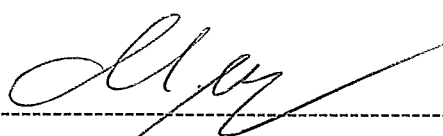
No events of special significance occurred after the end of the financial year that were not taken into account either in the profit and loss account or in the balance sheet.

Vallendar, May 11, 2018



Thomas Körpert

Managing Director



Matthias Urban

Managing Director

Development of fixed assets in the 2017/2018 financial year ended 31.03.2018

	31.03.2017		acquisition cost		31.03.2018		31.03.2017		accumulated depreciation		31.03.2018		book values:	
	EUR	EUR	additions	disposals	EUR	EUR	EUR	EUR	additions	disposals	EUR	EUR	EUR	EUR
I. Intangible assets														
Software	43.170,00	0,00	0,00	0,00	43.170,00	43.170,00	43.170,00	0,00	0,00	0,00	43.170,00	0,00	0,00	0,00
II. Tangible fixed assets														
Operating and office equipment	804.131,00	5.059,85	23.130,86	786.059,99	620.893,67	64.113,77	661.876,58	64.113,77	23.130,86	0,00	124.183,41	183.237,33	183.237,33	183.237,33
III. Long-term financial assets														
Shares in affiliated companies	12,84	0,00	0,00	12,84	0,00	0,00	0,00	0,00	0,00	0,00	12,84	12,84	12,84	12,84
	847.313,84	5.059,85	23.130,86	829.242,83	664.063,67	64.113,77	705.046,58	64.113,77	23.130,86	0,00	124.196,25	183.250,17	183.250,17	183.250,17

Apollo Vredestein GmbH, Vallendar/Germany
Group Management Report
for the financial year 2017/2018

A. Company Fundamentals

1. Company structure

Apollo Vredestein GmbH (Vredestein) based in Vallendar, Germany, is the parent company of Apollo Marketing B.V. & Co KG, Schönefeld. Furthermore, the company is a wholly owned subsidiary of Apollo Vredestein B.V., Enschede, Netherlands, which in turn is a subsidiary of Apollo Tyres Limited, Gurgaon, India.

2. Business model

The core business of Apollo Vredestein GmbH, Vallendar, is the sale of automobile tires in the replacement business (summer, winter and all season tires) with net sales amounting to EUR 133.2 million in the financial year 2017/18.

Other activities include the sale of agricultural and industrial tires, light trucks, SUVs and scooters.

Vredestein mainly supplies tire dealers in the replacement business. The customer structure has not changed materially compared to previous years. The number of customers is growing continuously. Sales are exclusively realized in Germany, however the tires are imported from the European production facility in Enschede / Netherlands through the parent company Apollo Vredestein B.V., Enschede / Netherlands.

Vredestein Marketing B.V. & Co. KG (hereinafter also referred to as "KG") maintains the customer base that Vredestein has built up in Germany over the past years and receives lease income from Vredestein in return. At the same time, the latter passes on their marketing expenses, which are used to maintain and expand their customer base. KG has no further sales revenues or cost of materials. Accordingly, the business activity does not affect the earnings position of the Group, as these are mainly items requiring consolidation.

3. Research and development activities

As the German sales company of the Apollo Group, the company itself does not carry out any independent research and development activities, but in turn provides essential input to the Group-wide development facilities in order to continue to be able to optimally meet customer requirements.

B. Industry report

1. Overall economic and industry development

The economic situation in Germany in 2017/18 was again characterized by strong economic growth. According to the Federal Statistical Office, price-adjusted gross domestic product (GDP) rose by 2.2 % in 2017. Compared to previous years, the pace was increased again, mainly due to strong domestic demand. Private consumer spending was up 2.0 % on the previous year in real terms.

The German labour market was once again extremely positive in 2017, marking the highest level of employment since German reunification.

Despite the good economic situation, Apollo Vredestein's business development is below the previous year's level due to the difficult industry environment.

According to the German Federal Motor Transport Authority (KBA), the number of vehicles increased by 1.7% to 63.7 million.

	Passenger vehicle	Truck	Motorcycle	Other	Total
2018	46,474,594	3,031,139	4,372,978	9,834,740	63,713,451
2017	45,803,560	2,911,907	4,314,493	9,588,898	62,618,858

Source: Federal Motor Transport Authority (Vehicle population as of 1 January 2018)

A stable market situation characterized the tire replacement business in Germany in 2017 and led to a slight year-on-year increase of 0.8 % in the sell-out ("end consumer") of consumer tires. In addition to the increasingly important segment of all-season tyres, there is still a trend towards increased demand for larger tyre dimensions. This is mainly due to the continuing demand for so-called SUV's (Sport Utility Vehicle) based on KBA data.

The biggest sales increase of 17 % was achieved in the all-season tyre product segment, which was mainly at the expense of summer tyre sales.

As in the previous year, around half of unit sales in the Consumer Tires segment were accounted for by winter tires, whose sales remained largely stable at +0.8 %.

Overall, the environment developed in line with the expectations of the previous year and the company was able to maintain its market position in this environment despite the production start in Hungary, which has not yet been implemented.

For 2018, BRV forecasts an overall positive development of 0.9 % in the tyre replacement business in the passenger car and off-road tyre segment, which is equivalent to the overall development in the consumer tyre market. For the coming year, the BRV estimates, the all-season tyres will again generate the largest sales increase of approx. 12 % in sell-out sales volumes.

2. Presentation of the Results of Operations, Net Asset Position, and Financial Position

2.1 Results of Operation

Net revenues decreased by EUR 3.2 million to EUR 133.2 million, mainly in connection with a changed sales strategy in online trading of the Apollo Group. The resulting decline in sales to group-internal customers could not be fully compensated by the expansion of business with third parties. The tyre business with summer and winter tyres is also strongly dependent on the weather conditions of the financial year. Since, as in the previous year, the average temperature in the relevant seasons of the year was higher than in the previous year, this led to a corresponding reduction in sales figures.

Net sales are mainly distributed to the following product categories:

Automobile tires	EUR 112.0 million (previous year: EUR 121.1 million)
Other tires	EUR 21.1 million (previous year: EUR 15.3 million)

Sales figures in the agricultural and industrial tires segment increased significantly in both the Original Equipment (OE) and the tire replacement business.

With regard to the entire tire market, Vredestein was able to maintain its market position despite a strong competitive situation, with the proportion in the agricultural sector increasing significantly, while the proportion in the passenger car sector declines slightly.

The cost of materials ratio (in relation to sales revenues) of 86.4 %, rose significantly compared to the previous year (83.7%). The reason for this are the increased raw material prices, which could not be charged to the customer in full and only at a later date.

Personnel expenses fell by EUR 0.364 million to EUR 2.979 million compared to the previous year. The number of employees as of March 31, 2018 was 45 (previous year: 45).

In addition to internal receivables and credit management, the default risk of trade receivables is minimized through cooperation with a credit insurance company. The value adjustment on receivables fell by EUR 0.143 million to EUR 0.627 million compared to the previous year's level.

Other operating expenses rose from 8.5% to 9.7% of sales. While central services charged by the Group parent company increased by EUR 0.562 million, freight costs by EUR 0.247 million and marketing & cooperation measures by EUR 0.316 million, legal and consulting costs decreased by EUR 0.067 million and rental expenses by EUR 0.022 million.

The defaulted claim was replaced according to contract by the credit insurance. Other operating income essentially reflects this reimbursement.

Interest income results from the cash pool interest paid to the parent company in the amount of EUR 0.274 million (previous year EUR 0.079 million).

Interest expenses relate to the interest expense component in connection with the allocation to pension provisions.

Due to the developments described above, consolidated net income for the year fell by EUR 3.3 million to EUR 1.6 million. This change essentially corresponds to the 2.4% decline in sales.

The cost of materials ratio (in relation to sales revenues) of 86.4 %, rose significantly compared to the previous year (83.7%). The reason for this are the increased raw material prices, which could not be charged to the customer in full and only at a later date.

Personnel expenses fell by EUR 0.364 million to EUR 2.979 million compared to the previous year. The number of employees as of March 31, 2018 was 45 (previous year: 45).

In addition to internal receivables and credit management, the default risk of trade receivables is minimized through cooperation with a credit insurance company. The value adjustment on receivables fell by EUR 0.143 million to EUR 0.627 million compared to the previous year's level.

Other operating expenses rose from 8.5% to 9.7% of sales. While central services charged by the Group parent company increased by EUR 0.562 million, freight costs by EUR 0.247 million and marketing & cooperation measures by EUR 0.316 million, legal and consulting costs decreased by EUR 0.067 million and rental expenses by EUR 0.022 million.

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Interest expenses relate to the interest expense component in connection with the allocation to pension provisions.

Due to the developments described above, consolidated net income for the year fell by EUR 3.3 million to EUR 1.6 million. This change essentially corresponds to the 2.4% decline in sales.

2.2 Net Asset Position

Total assets fell by EUR 4.3 million to EUR 54.5 million in the year under review. The reason for this development is the decline in receivables from affiliated companies on the assets side and the reduction in liabilities to the shareholder. Receivables from affiliated companies fell by EUR 8.7 million to EUR 7.4 million. This is mainly due to the changed sales strategy in online trading of the Apollo Group, as this will in future be handled directly by the sister company. Receivables from affiliated companies include receivables from the German sister company reifen.com.

Property, plant and equipment decreased by EUR 0.059 million due to the scheduled depreciation.

Inventories increased by approximately EUR 0.474 million to EUR 1.8 million compared to the previous year.

The increase in other provisions of EUR 0.820 million to EUR 3.644 million is mainly due to the increase in provisions for customer accounts (by EUR 0.4 million to EUR 1.0 million) and for freight costs (by EUR 0.2 million to EUR 0.3 million).

Liabilities to the shareholder decreased by EUR 9.9 million to EUR 8.8 million (previous year: EUR 18.7 million) due to increased repayment due to improved liquidity.

2.3 Financial Position

The equity ratio at the balance sheet date was 52.7 % (previous year: 46.1 %).

The maturity structure of Vredestein's liabilities has not changed significantly compared to the previous year. Vredestein remains part of the cash pool of Apollo Vredestein B.V., which mainly handles the financing of Vredestein's procurement business.

The Group's other reinvestments were financed from current cash flow in line with previous years. Vredestein's financial resources continue to be considered positive.

The cash flows compared with the preceding year are as follows:

	2017/18	2016/17	Change
	T€	T€	T€
Net Profit	1.599	4.886	-3.287
+/- Depreciation / write-ups on fixed assets	64	76	-12
+/- Increase / decrease in provisions	2.094	-406	2.500
Increase / decrease in inventories, trade receivables and other assets not attributable to +/- investing or financing activities.	2.893	-14.111	17.004
Increase / decrease in trade payables and other liabilities not attributable to investing or financing +/- activities.	-8.017	9.355	-17.372
+/- Interest expense / interest income	293	415	-122
= Cash flow from operating activities	-1.074	215	-1.289
- Payments for investments in fixed assets	-5	-36	31
+ Received interest	274	79	195
= Cash flow from investing activities	269	43	226
- Paid interest	-567	-494	-73
= Cash flow from financing activities	-567	-494	-73
Changes in cash and cash equivalents	-1.372	-236	-1.136
+ Financial funds at the beginning of the period	3.388	3.624	-236
= Financial funds at the end of the period	2.016	3.388	-1.372

Due to the liquidity situation described above, the company considers itself in a position to meet its existing external obligations at all times.

2.4 Non-financial performance indicators

The company has a stable customer base, which it constantly cultivates and expands through various marketing activities.

Apollo also attaches great importance to the sustainable use of resources and environmental protection. The company attempts to reduce its emissions through targeted logistics management.

Employee fluctuation has been comparatively low for years, expressing employee satisfaction, which is also reinforced by the pension plan open to all employees with at least 5 years of service.

2.5 Overall Statement

Overall, the course of the financial year fell short of management's expectations. The 5 % increase in sales forecast in the previous year could not be achieved due to the changed sales strategy within the Group; instead, sales fell by 2.4 %. The operating result, which was expected to increase moderately, also declined due to the decline in sales.

C. Forecast, Opportunities and Risks

1. Forecast

According to the Ifo Institute, real gross domestic product will grow by 2.6 % in 2018 before slowing to 2.1 % next year.

An important driver of the German economy is the global economy. Positive indicators for demand for German goods and services include the massive reduction in income tax in the USA and a strong upturn in the euro zone. On the other hand, the debate on the introduction or increase of tariffs in transatlantic trade and the appreciation of the euro are depressing the mood of entrepreneurs in this country.

The unemployment rate is expected to fall from 5.7% in 2017 to 5.2% in 2018. While consumer prices are forecast to remain constant in 2018, a positive stimulating financial impulse is expected from the public sector +1.4 % and private consumer spending +1.2 %.

The German Farmers' Association (DBV) expects an expansive willingness to invest on the part of German farmers, despite slower expectations for the future. Although the December Index of the Agricultural Economic Barometer 2017 fell from 26.6 points in September 2017 to 23.2 points, it is 2.2 points higher than in December 2016. 32% of farmers plan to invest in the first half of 2018. Of the planned investment volume of EUR 4.0 billion, approximately EUR 1.0 billion will be invested in machinery, which is EUR 0.2 billion higher than in the previous year. This should result in positive developments in the original equipment market for Vredestein.

According to the Federal Motor Transport Authority, the number of vehicles on January 1, 2018 increased again by more than one million vehicles (+1.7%) to 63.7 million compared to the previous year. The number of passenger cars remained at a comparable high level compared to the previous year, accounting for 82.3 % of the total stock.

Once again, SUV's (+20.2 %) and off-road vehicles (+8.2 %) recorded particularly high growth rates and will have a decisive impact on future demand for the tire replacement market.

The German Tire Trade and Vulcanization Trade Association (BRV) forecasts only slight growth rates of 0.9% for the entire consumer market in sell-out (trade to consumers) in

2018. While negative sales developments for winter tires - 1.9% and summer tires - 0.5% are expected for the replacement business in 2018, the all-season tire segment +12.9% is benefiting from a further increase in demand.

Sales figures for farm tires are forecast to be largely stable (trade to consumers) and a slight increase of 1.1% is forecast for trucks.

For the coming 2018/2019 financial year, we expect sales volumes in the passenger car tire segment to remain stable, based on stable market conditions. As part of the product mix, we expect a significant improvement in favor of our high-performance and ultra-high-performance tire portfolio.

The coming summer and winter conversion business should once again be characterized by a conservative stockpiling policy on the part of retailers. As a result, it is becoming increasingly important to be able to meet seasonal demand with good availability and a flexible logistics system.

In view of the almost identical sell-in (ERMC) and sell-out (BRV) in 2017, we do not expect any higher inventories in trading.

Despite a difficult market environment, we expect sales figures for both the summer and winter business to remain stable compared to the previous year. We expect additional impulses in the winter business from our winter tires, which will cover the ultra-high segment as the successor of the Wintrac Xtreme.

According to BRV, the greatest growth potential in the tire replacement business is likely to continue in the all-season tire segment in the coming financial year. As one of the leading all-season tire manufacturers in Europe, opportunities to increase our market position arise.

In view of the expected general conditions, we expect sales of agricultural and industrial tires to remain stable. We are looking forward to the willingness of farmers to invest, which should also have a positive effect on the rising production figures of German agricultural machinery manufacturers. On the other hand, the entry of new market participants puts us under increased competitive pressure.

In the coming 2018/2019 financial year, we expect sales to increase by 10% year-on-year, driven by a slight increase in sales figures and an improved product mix, as well as the introduction of Apollo brand truck tires in Germany.

Furthermore, we plan to further reduce emissions by further improving the logistics structures of our group of companies. In addition, employee satisfaction has a significant influence on the development of our company, which is why we continue to have the goal of being perceived as a special employer among our employees.

In the 2018/2019 financial year, investments within the Group are likely to have a much more positive impact, which leads us to expect a double-digit growth rate. The positive growth expectations are emphasized by new innovative products manufactured in the tire plant in Hungary as well as the access to new distribution channels in Germany, e.g. the car dealership channel (based on the first successes in the area of OE homologations). Despite the expected competitive pressure, we expect a moderate increase in operating profit.

The necessary financial resources for the expansion of the location will be covered by the company's own liquidity without endangering the financial position of the company.

2. Opportunities and Risks

As a member of the Apollo Vredestein Group, our company is integrated into the global risk management system. Deviations in actual and budgeted business developments are determined and analyzed monthly on the basis of the reporting tools. Against this background, risks are recognized promptly and necessary measures can be initiated where appropriate.

The financial planning of the cash pool is monitored and controlled centrally. The integration into the cash pool of the parent company results in a risk of dependence of financing by the Group Company. According to management, there are currently no indications that there will be financing bottlenecks in the cash pool in the medium term.

The German sales company has an operating financial budget at disposal, so there are currently no risks considering the medium-term secured financial situation.

In addition to internal receivables and credit management, the external analysis - rating procedure of our credit insurance partner is used as controlling instruments to minimize

default risks. In addition to the monthly credit report, all new credit applications are subject to a Group-controlled review.

The financial instruments reported in the balance sheet are generally subject to default, change in value, currency and interest rate risks.

On the one hand, the default risk of receivables is countered within the framework of internal risk management by means of appropriate accounts receivable management and on the other hand externally by reinsurance with a credit insurance company.

There are currently no currency risks due to the exclusive invoicing in EUR and therefore no hedging transactions were carried out. Interest rate risks exist for liabilities to affiliated companies or receivables from affiliated companies via inclusion in the cash pool. At present, no significant changes in the interest rate structure are expected and therefore no hedging transactions are carried out.

Apollo Vredestein, together with the other affiliated companies, has given a guarantee for the financing of the company group. As of March 31, 2017, the guarantee granted amounted to EUR 37.2 million. As a credit balance of EUR 4.1 million results on the current reporting date, the guarantee obligation is cancelled as of March 31, 2018. Due to the reorganization within the Group and the extremely positive economic and financial business development, no claims can currently be expected to be made against the guarantee obligation.

For the 2018/19 financial year, we do not expect any recovery in terms of stagnating raw material prices. Against this background, the development of raw material prices must continue to be classified as a risk factor. If demand for tires in Asia, Europe and the NAFTA region gains momentum in the course of the financial year, raw material prices are expected to rise.

Opportunities and risks arise with regard to the future distribution channels for the Vredestein and Apollo brands on the German tire replacement market.

The vertical and horizontal market concentration of the specialist tire trade will continue in the coming financial year. In addition, the distribution landscape in Germany is changing. Although the tire trade was able to maintain its market shares within the framework of the distribution analysis carried out by BRV, an increasing market concentration can be assumed through company acquisitions.

Due to the price transparency, not least due to online trading, there are certain risks for the Vredestein and Apollo brands, as qualitative marketing can only be guaranteed through specialist tire dealers.

Risks include rising imports from Asia/China in the area of budget and low-budget tires, as well as substantial increases in raw material prices that are very likely to occur.

There are no discernible risks jeopardizing the continuation of the company.

Opportunities arise from the ultra-modern Greenfield plant in Hungary. In addition to the qualitative and quantitative expansion of production, which should have a positive effect on the local availability of goods, we see long-term expansionary business areas as suppliers to the automotive industry, especially regarding the successfully completed OE certifications in the plant.

As one of the leading all-season tire marketers in Europe, we will continue to benefit from the positive demand trend for all-weather tires in Germany over the next two years.

Increasing investments in the Apollo Vredestein partnership project will help to strengthen existing customer relationships and open up new sales channels in the long term.

Further opportunities arise from the sale of truck tyres on the German replacement market. Although this market segment has to be opened up first, we see positive impulses for an increase in sales and earnings due to the excellent price-performance ratio.

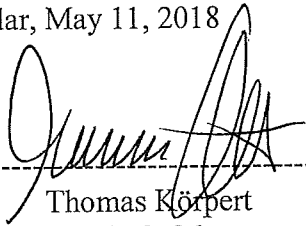
3. Future related statements

We would like to point out that, in the case of forward-looking statements, actual results can differ materially from expectations, if the aforementioned or other uncertainties occur, or if the assumptions underlying the statements prove to be inaccurate.

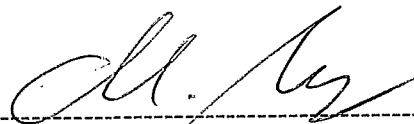
4. Post-Balance-Sheet-Date Events

After the close of the fiscal year as of March 31, 2018 there were no events of special importance that would affect the results of operation, net asset position and financial position.

Vallendar, May 11, 2018



Thomas Körpert
Geschäftsführer



Matthias Urban
Geschäftsführer

Auditor's Report

We have audited the consolidated financial statements – comprising the consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of changes in equity, the consolidated cash flow statement as well as the notes to the consolidated financial statements – and the group management report of Apollo Vredestein GmbH, Vallendar, for the financial year from 1 April 2017 to 31 March 2018. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with paragraph 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. Within the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are verified primarily on a sample basis. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of Apollo Vredestein GmbH, Vallendar, for the financial year from 1 April 2017 to 31 March 2018 comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, 11 May 2018

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Maximilian Meyer zu Schwabedissen
Wirtschaftsprüfer
[German Public Auditor]

Manuel Selchow
Wirtschaftsprüfer
[German Public Auditor]

Allgemeine Auftragsbedingungen

für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften vom 1. Januar 2017

DokID: 11445 3LXV270

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1. Geltungsbereich

(1) Die Auftragsbedingungen gelten für Verträge zwischen Wirtschaftsprüfern oder Wirtschaftsprüfungsgesellschaften (im Nachstehenden zusammenfassend „Wirtschaftsprüfer“ genannt) und ihren Auftraggebern über Prüfungen, Steuerberatung, Beratungen in wirtschaftlichen Angelegenheiten und sonstige Aufträge, soweit nicht etwas anderes ausdrücklich schriftlich vereinbart oder gesetzlich zwingend vorgeschrieben ist.

(2) Dritte können nur dann Ansprüche aus dem Vertrag zwischen Wirtschaftsprüfer und Auftraggeber herleiten, wenn dies ausdrücklich vereinbart ist oder sich aus zwingenden gesetzlichen Regelungen ergibt. Im Hinblick auf solche Ansprüche gelten diese Auftragsbedingungen auch diesen Dritten gegenüber.

2. Umfang und Ausführung des Auftrags

(1) Gegenstand des Auftrags ist die vereinbarte Leistung, nicht ein bestimmter wirtschaftlicher Erfolg. Der Auftrag wird nach den Grundsätzen ordnungsmäßiger Berufsausübung ausgeführt. Der Wirtschaftsprüfer übernimmt im Zusammenhang mit seinen Leistungen keine Aufgaben der Geschäftsführung. Der Wirtschaftsprüfer ist für die Nutzung oder Umsetzung der Ergebnisse seiner Leistungen nicht verantwortlich. Der Wirtschaftsprüfer ist berechtigt, sich zur Durchführung des Auftrags sachverständiger Personen zu bedienen.

(2) Die Berücksichtigung ausländischen Rechts bedarf – außer bei betriebswirtschaftlichen Prüfungen – der ausdrücklichen schriftlichen Vereinbarung.

(3) Ändert sich die Sach- oder Rechtslage nach Abgabe der abschließenden beruflichen Äußerung, so ist der Wirtschaftsprüfer nicht verpflichtet, den Auftraggeber auf Änderungen oder sich daraus ergebende Folgerungen hinzuweisen.

3. Mitwirkungspflichten des Auftraggebers

(1) Der Auftraggeber hat dafür zu sorgen, dass dem Wirtschaftsprüfer alle für die Ausführung des Auftrags notwendigen Unterlagen und weiteren Informationen rechtzeitig übermittelt werden und ihm von allen Vorgängen und Umständen Kenntnis gegeben wird, die für die Ausführung des Auftrags von Bedeutung sein können. Dies gilt auch für die Unterlagen und weiteren Informationen, Vorgänge und Umstände, die erst während der Tätigkeit des Wirtschaftsprüfers bekannt werden. Der Auftraggeber wird dem Wirtschaftsprüfer geeignete Auskunftspersonen benennen.

(2) Auf Verlangen des Wirtschaftsprüfers hat der Auftraggeber die Vollständigkeit der vorgelegten Unterlagen und der weiteren Informationen sowie der gegebenen Auskünfte und Erklärungen in einer vom Wirtschaftsprüfer formulierten schriftlichen Erklärung zu bestätigen.

4. Sicherung der Unabhängigkeit

(1) Der Auftraggeber hat alles zu unterlassen, was die Unabhängigkeit der Mitarbeiter des Wirtschaftsprüfers gefährdet. Dies gilt für die Dauer des Auftragsverhältnisses insbesondere für Angebote auf Anstellung oder Übernahme von Organfunktionen und für Angebote, Aufträge auf eigene Rechnung zu übernehmen.

(2) Sollte die Durchführung des Auftrags die Unabhängigkeit des Wirtschaftsprüfers, die der mit ihm verbundenen Unternehmen, seiner Netzwerkunternehmen oder solcher mit ihm assoziierten Unternehmen, auf die die Unabhängigkeitsvorschriften in gleicher Weise Anwendung finden wie auf den Wirtschaftsprüfer, in anderen Auftragsverhältnissen beeinträchtigen, ist der Wirtschaftsprüfer zur außerordentlichen Kündigung des Auftrags berechtigt.

5. Berichterstattung und mündliche Auskünfte

Soweit der Wirtschaftsprüfer Ergebnisse im Rahmen der Bearbeitung des Auftrags schriftlich darzustellen hat, ist alleine diese schriftliche Darstellung maßgebend. Entwürfe schriftlicher Darstellungen sind unverbindlich. Sofern nicht anders vereinbart, sind mündliche Erklärungen und Auskünfte des Wirtschaftsprüfers nur dann verbindlich, wenn sie schriftlich bestätigt werden. Erklärungen und Auskünfte des Wirtschaftsprüfers außerhalb des erteilten Auftrags sind stets unverbindlich.

6. Weitergabe einer beruflichen Äußerung des Wirtschaftsprüfers

(1) Die Weitergabe beruflicher Äußerungen des Wirtschaftsprüfers (Arbeitsergebnisse oder Auszüge von Arbeitsergebnissen – sei es im Entwurf oder in der Endfassung) oder die Information über das Tätigwerden des Wirtschaftsprüfers für den Auftraggeber an einen Dritten bedarf der schriftlichen Zustimmung des Wirtschaftsprüfers, es sei denn, der Auftraggeber ist zur Weitergabe oder Information aufgrund eines Gesetzes oder einer behördlichen Anordnung verpflichtet.

(2) Die Verwendung beruflicher Äußerungen des Wirtschaftsprüfers und die Information über das Tätigwerden des Wirtschaftsprüfers für den Auftraggeber zu Werbezwecken durch den Auftraggeber sind unzulässig.

7. Mängelbeseitigung

(1) Bei etwaigen Mängeln hat der Auftraggeber Anspruch auf Nacherfüllung durch den Wirtschaftsprüfer. Nur bei Fehlschlagen, Unterlassen bzw. unberechtigter Verweigerung, Unzumutbarkeit oder Unmöglichkeit der Nacherfüllung kann er die Vergütung mindern oder vom Vertrag zurücktreten; ist der Auftrag nicht von einem Verbraucher erteilt worden, so kann der Auftraggeber wegen eines Mangels nur dann vom Vertrag zurücktreten, wenn die erbrachte Leistung wegen Fehlschlagens, Unterlassung, Unzumutbarkeit oder Unmöglichkeit der Nacherfüllung für ihn ohne Interesse ist. Soweit darüber hinaus Schadensersatzansprüche bestehen, gilt Nr. 9.

(2) Der Anspruch auf Beseitigung von Mängeln muss vom Auftraggeber unverzüglich in Textform geltend gemacht werden. Ansprüche nach Abs. 1, die nicht auf einer vorsätzlichen Handlung beruhen, verjähren nach Ablauf eines Jahres ab dem gesetzlichen Verjährungsbeginn.

(3) Offenbare Unrichtigkeiten, wie z.B. Schreibfehler, Rechenfehler und formelle Mängel, die in einer beruflichen Äußerung (Bericht, Gutachten und dgl.) des Wirtschaftsprüfers enthalten sind, können jederzeit vom Wirtschaftsprüfer auch Dritten gegenüber berichtigt werden. Unrichtigkeiten, die geeignet sind, in der beruflichen Äußerung des Wirtschaftsprüfers enthaltene Ergebnisse infrage zu stellen, berechtigen diesen, die Äußerung auch Dritten gegenüber zurückzunehmen. In den vorgenannten Fällen ist der Auftraggeber vom Wirtschaftsprüfer tunlichst vorher zu hören.

8. Schweigepflicht gegenüber Dritten, Datenschutz

(1) Der Wirtschaftsprüfer ist nach Maßgabe der Gesetze (§ 323 Abs. 1 HGB, § 43 WPO, § 203 StGB) verpflichtet, über Tatsachen und Umstände, die ihm bei seiner Berufstätigkeit anvertraut oder bekannt werden, Stillschweigen zu bewahren, es sei denn, dass der Auftraggeber ihn von dieser Schweigepflicht entbindet.

(2) Der Wirtschaftsprüfer wird bei der Verarbeitung von personenbezogenen Daten die nationalen und europarechtlichen Regelungen zum Datenschutz beachten.

9. Haftung

(1) Für gesetzlich vorgeschriebene Leistungen des Wirtschaftsprüfers, insbesondere Prüfungen, gelten die jeweils anzuwendenden gesetzlichen Haftungsbeschränkungen, insbesondere die Haftungsbeschränkung des § 323 Abs. 2 HGB.

(2) Sofern weder eine gesetzliche Haftungsbeschränkung Anwendung findet noch eine einzelvertragliche Haftungsbeschränkung besteht, ist die Haftung des Wirtschaftsprüfers für Schadensersatzansprüche jeder Art, mit Ausnahme von Schäden aus der Verletzung von Leben, Körper und Gesundheit, sowie von Schäden, die eine Ersatzpflicht des Herstellers nach § 1 ProdHaftG begründen, bei einem fahrlässig verursachten einzelnen Schadensfall gemäß § 54a Abs. 1 Nr. 2 WPO auf 4 Mio. € beschränkt.

(3) Einreden und Einwendungen aus dem Vertragsverhältnis mit dem Auftraggeber stehen dem Wirtschaftsprüfer auch gegenüber Dritten zu.

(4) Leiten mehrere Anspruchsteller aus dem mit dem Wirtschaftsprüfer bestehenden Vertragsverhältnis Ansprüche aus einer fahrlässigen Pflichtverletzung des Wirtschaftsprüfers her, gilt der in Abs. 2 genannte Höchstbetrag für die betreffenden Ansprüche aller Anspruchsteller insgesamt.

(5) Ein einzelner Schadensfall im Sinne von Abs. 2 ist auch bezüglich eines aus mehreren Pflichtverletzungen stammenden einheitlichen Schadens gegeben. Der einzelne Schadensfall umfasst sämtliche Folgen einer Pflichtverletzung ohne Rücksicht darauf, ob Schäden in einem oder in mehreren aufeinanderfolgenden Jahren entstanden sind. Dabei gilt mehrfaches auf gleicher oder gleichartiger Fehlerquelle beruhendes Tun oder Unterlassen als einheitliche Pflichtverletzung, wenn die betreffenden Angelegenheiten miteinander in rechtlichem oder wirtschaftlichem Zusammenhang stehen. In diesem Fall kann der Wirtschaftsprüfer nur bis zur Höhe von 5 Mio. € in Anspruch genommen werden. Die Begrenzung auf das Fünffache der Mindestversicherungssumme gilt nicht bei gesetzlich vorgeschriebenen Pflichtprüfungen.

(6) Ein Schadensersatzanspruch erlischt, wenn nicht innerhalb von sechs Monaten nach der schriftlichen Ablehnung der Ersatzleistung Klage erhoben wird und der Auftraggeber auf diese Folge hingewiesen wurde. Dies gilt nicht für Schadensersatzansprüche, die auf vorsätzliches Verhalten zurückzuführen sind, sowie bei einer schuldhaften Verletzung von Leben, Körper oder Gesundheit sowie bei Schäden, die eine Ersatzpflicht des Herstellers nach § 1 ProdHaftG begründen. Das Recht, die Einrede der Verjährung geltend zu machen, bleibt unberührt.

10. Ergänzende Bestimmungen für Prüfungsaufträge

(1) Ändert der Auftraggeber nachträglich den durch den Wirtschaftsprüfer geprüften und mit einem Bestätigungsvermerk versehenen Abschluss oder Lagebericht, darf er diesen Bestätigungsvermerk nicht weiterverwenden.

Hat der Wirtschaftsprüfer einen Bestätigungsvermerk nicht erteilt, so ist ein Hinweis auf die durch den Wirtschaftsprüfer durchgeführte Prüfung im Lagebericht oder an anderer für die Öffentlichkeit bestimmter Stelle nur mit schriftlicher Einwilligung des Wirtschaftsprüfers und mit dem von ihm genehmigten Wortlaut zulässig.

(2) Widerruft der Wirtschaftsprüfer den Bestätigungsvermerk, so darf der Bestätigungsvermerk nicht weiterverwendet werden. Hat der Auftraggeber den Bestätigungsvermerk bereits verwendet, so hat er auf Verlangen des Wirtschaftsprüfers den Widerruf bekanntzugeben.

(3) Der Auftraggeber hat Anspruch auf fünf Berichtsausfertigungen. Weitere Ausfertigungen werden besonders in Rechnung gestellt.

11. Ergänzende Bestimmungen für Hilfeleistung in Steuersachen

(1) Der Wirtschaftsprüfer ist berechtigt, sowohl bei der Beratung in steuerlichen Einzelfragen als auch im Falle der Dauerberatung die vom Auftraggeber genannten Tatsachen, insbesondere Zahlenangaben, als richtig und vollständig zugrunde zu legen; dies gilt auch für Buchführungsaufträge. Er hat jedoch den Auftraggeber auf von ihm festgestellte Unrichtigkeiten hinzuweisen.

(2) Der Steuerberatungsauftrag umfasst nicht die zur Wahrung von Fristen erforderlichen Handlungen, es sei denn, dass der Wirtschaftsprüfer hierzu ausdrücklich den Auftrag übernommen hat. In diesem Fall hat der Auftraggeber dem Wirtschaftsprüfer alle für die Wahrung von Fristen wesentlichen Unterlagen, insbesondere Steuerbescheide, so rechtzeitig vorzulegen, dass dem Wirtschaftsprüfer eine angemessene Bearbeitungszeit zur Verfügung steht.

(3) Mangels einer anderweitigen schriftlichen Vereinbarung umfasst die laufende Steuerberatung folgende, in die Vertragsdauer fallenden Tätigkeiten:

- a) Ausarbeitung der Jahressteuererklärungen für die Einkommensteuer, Körperschaftsteuer und Gewerbesteuer sowie der Vermögensteuererklärungen, und zwar auf Grund der vom Auftraggeber vorzulegenden Jahresabschlüsse und sonstiger für die Besteuerung erforderlicher Aufstellungen und Nachweise
- b) Nachprüfung von Steuerbescheiden zu den unter a) genannten Steuern
- c) Verhandlungen mit den Finanzbehörden im Zusammenhang mit den unter a) und b) genannten Erklärungen und Bescheiden
- d) Mitwirkung bei Betriebsprüfungen und Auswertung der Ergebnisse von Betriebsprüfungen hinsichtlich der unter a) genannten Steuern
- e) Mitwirkung in Einspruchs- und Beschwerdeverfahren hinsichtlich der unter a) genannten Steuern.

Der Wirtschaftsprüfer berücksichtigt bei den vorgenannten Aufgaben die wesentliche veröffentlichte Rechtsprechung und Verwaltungsauffassung.

(4) Erhält der Wirtschaftsprüfer für die laufende Steuerberatung ein Pauschalhonorar, so sind mangels anderweitiger schriftlicher Vereinbarungen die unter Abs. 3 Buchst. d) und e) genannten Tätigkeiten gesondert zu honorieren.

(5) Sofern der Wirtschaftsprüfer auch Steuerberater ist und die Steuerberatervergütungsverordnung für die Bemessung der Vergütung anzuwenden ist, kann eine höhere oder niedrigere als die gesetzliche Vergütung in Textform vereinbart werden.

(6) Die Bearbeitung besonderer Einzelfragen der Einkommensteuer, Körperschaftsteuer, Gewerbesteuer, Einheitsbewertung und Vermögensteuer sowie aller Fragen der Umsatzsteuer, Lohnsteuer, sonstigen Steuern und Abgaben erfolgt auf Grund eines besonderen Auftrags. Dies gilt auch für

- a) die Bearbeitung einmalig anfallender Steuerangelegenheiten, z.B. auf dem Gebiet der Erbschaftsteuer, Kapitalverkehrssteuer, Grunderwerbsteuer,
- b) die Mitwirkung und Vertretung in Verfahren vor den Gerichten der Finanz- und der Verwaltungsgerichtsbarkeit sowie in Steuerstrafsachen,
- c) die beratende und gutachtliche Tätigkeit im Zusammenhang mit Umwandlungen, Kapitalerhöhung und -herabsetzung, Sanierung, Eintritt und Ausscheiden eines Gesellschafters, Betriebsveräußerung, Liquidation und dergleichen und
- d) die Unterstützung bei der Erfüllung von Anzeige- und Dokumentationspflichten.

(7) Soweit auch die Ausarbeitung der Umsatzsteuerjahreserklärung als zusätzliche Tätigkeit übernommen wird, gehört dazu nicht die Überprüfung etwaiger besonderer buchmäßiger Voraussetzungen sowie die Frage, ob alle in Betracht kommenden umsatzsteuerrechtlichen Vergünstigungen wahrgenommen worden sind. Eine Gewähr für die vollständige Erfassung der Unterlagen zur Geltendmachung des Vorsteuerabzugs wird nicht übernommen.

12. Elektronische Kommunikation

Die Kommunikation zwischen dem Wirtschaftsprüfer und dem Auftraggeber kann auch per E-Mail erfolgen. Soweit der Auftraggeber eine Kommunikation per E-Mail nicht wünscht oder besondere Sicherheitsanforderungen stellt, wie etwa die Verschlüsselung von E-Mails, wird der Auftraggeber den Wirtschaftsprüfer entsprechend in Textform informieren.

13. Vergütung

(1) Der Wirtschaftsprüfer hat neben seiner Gebühren- oder Honorarforderung Anspruch auf Erstattung seiner Auslagen; die Umsatzsteuer wird zusätzlich berechnet. Er kann angemessene Vorschüsse auf Vergütung und Auslagenersatz verlangen und die Auslieferung seiner Leistung von der vollen Befriedigung seiner Ansprüche abhängig machen. Mehrere Auftraggeber haften als Gesamtschuldner.

(2) Ist der Auftraggeber kein Verbraucher, so ist eine Aufrechnung gegen Forderungen des Wirtschaftsprüfers auf Vergütung und Auslagenersatz nur mit unbestrittenen oder rechtskräftig festgestellten Forderungen zulässig.

14. Streitschlichtungen

Der Wirtschaftsprüfer ist nicht bereit, an Streitbelegungsverfahren vor einer Verbraucherschlichtungsstelle im Sinne des § 2 des Verbraucherstreitbelegungsgesetzes teilzunehmen.

15. Anzuwendendes Recht

Für den Auftrag, seine Durchführung und die sich hieraus ergebenden Ansprüche gilt nur deutsches Recht.

[Translator's notes are in square brackets]

General Engagement Terms

for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms] as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: The German term "*Textform*" means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of *Wirtschaftsprüfer*: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

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