# Individual Financial Statements of UNIWHEELS AG

# (until 24 Nov 2014: UNIWHEELS Holding (Germany) GmbH),

# Bad Dürkheim,

# for Fiscal Year 2014

Management Report

Financial Statements

Notes

Translation - the German text is authoritative

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## 1. Background

### 1.1. Business Model

UNIWHEELS AG, Bad Dürkheim (hereinafter referred to as: the "Company") is one of Europe's leading manufacturers of high-quality aluminium wheels. It is active on two sales markets – the accessories market as a manufacturer of alloy wheels and in the automotive market as one of Europe's largest manufacturers of wheels for the automobile industry. In addition, the Group equips professional motorsport race series with high-tech wheels.

The business development of UNIWHEELS AG hinges upon the development of the entire UNIWHEELS Group. Due to its activity as a holding company, its profit or loss depends on the profits or losses transferred by its subsidiaries.

Production for both markets served by the Group is based at the facilities of UNIWHEELS Production (Germany) GmbH, Bad Dürkheim, and at UNIWHEELS Production (Poland) Sp. z.o.o. (hereinafter referred to as: "UPP"), Stalowa Wola, Poland. In addition, ATS Leichtmetallräder GmbH based in Bad Dürkheim produces alloy wheels using casting methods.

Within the UNIWHEELS Group, UNIWHEELS Automotive (Germany) GmbH, Bad Dürkheim, performs the central sales function for the Automotive division, the development of new types of wheels and designs, and the production resource management for delivering wheels to OEMs.

With its global brands, ATS, RIAL, ALUTEC and ANZIO, the UNIWHEELS Group also serves all segments of the accessories market, from premium to economy. Most of the brands are distributed by UNIWHEELS Leichtmetallräder (Germany) GmbH from its location in Bad Dürkheim, where the central logistics hub for the Accessory division is based.

The UNIWHEELS Group also maintains sales locations in Europe from which it distributes its products to chains of tyre and wheel distributors as well as retailers and car dealerships.

The UNIWHEELS Group had 2,460 employees on the reporting date (prior year: 2,214). The annual average headcount was 2,366 (prior year: 2,141).

UNIWHEELS Trading (Poland) Sp. z o.o., Stalowa Wola, Poland was merged with UPP effective 31 January 2014. This transaction was internal within the Group and did not have any impact on the financial position, financial performance or cash position of the UNIWHEELS Group.

By notarized agreement dated 10 June 2014, the 52% stake in UPP held by UNIWHEELS Holding (Malta) Ltd. (hereinafter referred to as: “UHM”), Sliema/Malta, was transferred to the Company, partly by means of a contribution in kind, and partly as a sale. Immediately thereafter, the Company contributed the 52% stake in UPP to UNIWHEELS Investment (Germany) GmbH (hereinafter referred to as: “UIG”), Bad Dürkheim, a wholly-owned subsidiary of the Company, thereby giving UIG ownership of all the shares in UPP. As a result, the Company obtained indirect and full control of all the significant entities of the UNIWHEELS Group and has prepared consolidated financial statements pursuant to IFRS, which are the first set of IFRS statements that, according to Sec. 264 (3) HGB, exempt the subsidiaries from the need to publish their own financial statements.

Upon being entered in the commercial register on 24 November 2014, UNIWHEELS Holding (Germany) GmbH, Bad Dürkheim, was converted into UNIWHEELS AG. This change in legal form (from a limited liability company under German law to a stock corporation (AG)) lays the foundation for the planned growth in the coming years.

As a stock corporation under German law, the decision-making bodies of UNIWHEELS AG are subject to strict segregation between the executive (the management board) and the oversight functions (the supervisory board).

As the executive, the management board is responsible for the strategic and operating policies of the Group. The management board is made up of the chairman, Mr. Ralf Schmid, (Swieqi, Malta) and the Chief Financial Officer, Dr. Karsten Obenaus, Neustadt/Weinstrasse. At its constitutive meeting on 15 October 2014, the supervisory board of UNIWHEELS AG appointed the management board for five years.

In its overseeing capacity, the supervisory board monitors and advises the management on its decisions and, in this way, is directly involved in all significant decisions made by the Company. The supervisory board was composed of the following members on the reporting date:

Beata Olejnik (managing director of UHM), Sliema/Malta (chairwoman)

Dr. Wolfgang Baur (business consultant), Stuttgart (deputy chair)

Michael Schmid (technician), Swieqi, Malta

## 1.2. Development

The development of wheel designs and production methods is performed by centrally managed teams in the UNIWHEELS Group. In addition, engineering services and research work is performed for customers under contract.

As in the past, products and production methods are being constantly advanced. All development work is continuously refined to meet the high quality standards set by the automobile industry but also our own internal strategic objectives. In addition, cooperation agreements are in place with existing suppliers, customers and research facilities, and potential new ones, to advance the development of technical methods and production processes.

The UNIWHEELS Group has worked together with major automobile manufacturers for over forty years. It is a well-respected development partner and Tier-1 supplier to the automobile industry. As of the reporting date, work was being performed on 121 (prior year: 109) development contracts and 79 colliques for the next generation of products. At the same time, the Accessory division was working on 72 new projects and 15 coquilles for next-generation products. At 36, the headcount in the development department has remained relatively constant (prior year: 35). In the motorsport and rally division, the existing programme was expanded and numerous customer requests addressed. In addition, there are good opportunities to build on the market position of the UNIWHEELS Group, in the mid-term as well, on account of the high technological expertise of the Group, as well as the loyalty of its customers, who view it as a reliable partner to the automotive industry, and the continuous development of its production skills and weight-savings

## 2. Economic Background and Business Development

### 2.1 Macroeconomic development and Development of the Sector

Global economic growth continued in the first six months of 2014, with the world economy continuing to stabilize, borne by the recovery in industrial nations. After recording strong growth in the first six months of 2014, the German economy cooled off significantly. This development is primarily due to two international developments. First of all, the flare-up in the conflict between Russia and Ukraine led to sanctions being imposed by western countries and gloomy prospects for the industrial sector. As a result, German exports to Russia slumped, particularly for export goods such as automobiles, car parts, plant and machinery and chemical products (source: Tagesspiegel: http://www.tages-spiegel.de/wirtschaft/ukraine-konflikt-deutsche-exporte-nach-russland-brechen-ein/
10905612.html). The second factor involved the growing uncertainty surrounding economic recovery in the euro zone, which stalled around the middle of the year. These two factors contributed to the dampened level of investment in capital goods in Germany, which is anyway confronted by sluggish world trade. Thanks to the solid foundation created in the first quarter, the German economy nevertheless managed to grow by 1.25% as an annual average. As a result, Germany once again returned the fastest economic growth among the major nations in the euro zone.

This trend was also visible on the global car market and reflects the global situation.

The automobile market in 2014 was likewise dominated by major uncertainty and geopolitical conflicts, such as the crises in the Ukraine and Russia as well as in the Middle East. This was exacerbated by some important European economies starting to stutter. Nevertheless, a study by the VDA (German Automobile Industry Association) concluded that the economic climate had brightened for the automobile industry, in spite of the crises described above (source: VDA press release dated 2 December 2014).

The global passenger car market grew in 2014 as the sales markets in the largest regions of Western Europe, USA and China grew. This growth was more than enough to compensate for declining sales in other markets. The total global market for new cars grew by 3% to 74.7 million new car registrations. Sales of new cars in Western Europe returned to growth after four years of contraction, swelling by 5% to over 12 million cars. Sales of cars in the new EU member states, such as Poland, the Czech Republic and Hungary grew by 14.2%. On the Chinese market, growth of 13% to 18.4

million new cars was recorded. The US market grew by 6% to 16.4 million cars, returning to the level seen prior to the global financial crisis.

According to a press release from the VDA on 5 January 2015, the German car market has just passed the 3 million mark and recorded slight growth of approximately 3%. Another positive signal can be found in the volume of domestic orders, which climbed by 5% up to November. According to the VDA, exports reached a volume of 4.3 million units, up 3% on the prior year. Total domestic car production rose 3 % to 5.6 million new cars in 2014. The trend towards local production continues. Rapidly growing emerging economies and the USA are being increasingly supplied by their own local production.

In sum, 2014 was a successful year for the German automobile industry – exports, production, sales and employment all increased.

As an automotive supplier and manufacturer of popular brands for the Accessory sector, the UNIWHEELS Group was able to profit from its excellent position to benefit from all kinds of expansion in the market in 2014. Correspondingly, UNIWHEELS AG can look back on a successful year in 2014. The Company sold more alloy wheels in 2014 than in the prior year and the forecast is for more growth. The unit sales of the UNIWHEELS Group climbed by 5.2% year on year to 7.2 million wheels in fiscal 2014, setting a new sales record in the process. Of these, 5.8 million units were sold in the Automotive sector and 1.4 million units in the Accessory sector. In addition, the Company extended its quality standards and was awarded the Volvo Quality Through Excellence Award ("VQE Award"). The measurement criteria on which the award is based include logistics, trust, transparency of factory operations, assessment of the production locations and lean use of resources.

The prospects for the automobile market are regarded as positive, particularly for aluminum wheels. The share of the market accounted for by aluminum wheels in comparison to steel wheels has risen constantly in the past and it can be assumed that this trend will continue in future. The number of competitors in the European market is limited as six manufacturers share 97.4% of the market between them. It has been observed that our direct competitors are continuing to build up their capacity but no company is as active as the UNIWHEELS Group. In the market environment of aluminium wheels, aluminium as a commodity plays a critical role. It can be assumed that the price of aluminium will rise in the coming years. However, it can be expected that the price rises will be slower than in recent years. The key environmental factors affecting the market in future will be the general growth of the market, the focus of automobile manufacturers on environmental protection (reduction of $CO_2$ emissions), i.e. weight reduction, but also increasing the diameter of wheels and the growing complexity of wheel designs and coatings.

## 2.2 Results of operations

The business development of UNIWHEELS AG and the condition of its balance sheet are primarily determined by its function as a holding company and are therefore reliant on the profit transfers, loss absorptions, dividend income, and management services received and rendered within the Group. It owns numerous subsidiaries which have generally been assigned sales or production tasks. UNIWHEELS AG assumes the administrative function for a portion of the UNIWHEELS Group, performing such tasks as management, accounting, human resources, purchases, IT, marketing, risk management, as well as research and development for the accessories market.

Due to the positive development of the operating business of the entire Group, UNIWHEELS AG closed the fiscal year with a net profit of EUR 46.2 million (prior year: a net loss of EUR 3.8 million). The result for the year was largely due to the dividend distributions from UPP to UIG and the ensuing profit transfers to UNIWHEELS AG.

The result of ordinary operations came to EUR 46.5 million in fiscal 2014 (prior year: a loss of EUR 3.8 million). The results of operations of the Company are dominated by the cost allocations presented under other operating income and the income and expenses from profit and loss transfer agreements.

The income from profit transfers increased by EUR 48.6 million on the prior year to EUR 61.0 million. At the same time, expenses from loss absorptions decreased by EUR 2.7 million to EUR 4.8 million. The main reason for the decrease in loss absorptions was the targeted cost-savings measures performed by the individual subsidiaries. The increase in profit transfers is primarily due to the dividends distributed by UPP to UIG, with whom the Company has a profit and loss transfer agreement.

Other operating income increased by EUR 1.8 million compared to the prior year. Generally, this is a result of higher cost allocations to subsidiaries and affiliates. The related services and expenses invoiced by the Company are included in personnel expenses and other operating expenses. Due to the higher consulting fees incurred on account of the transition to IFRS and the change in legal form, the cost allocations in 2014 were correspondingly higher.

Write-downs on financial assets came to EUR 0.0 million in the reporting year (prior year: EUR 0.2 million).

Other operating expenses rose on the prior year by EUR 2.7 million, largely on account of higher legal expenses and consulting fees for the refinancing, the change in legal form and the transition to IFRS accounting.

Net interest deteriorated on the prior year by EUR 0.3 million to a net expense of EUR 7.0 million on account of the interest charged on the cash pool.

## 2.3 Financial Position

The existing consortium of banks was replaced in September 2014 and a new syndicated bank loan agreement entered into. In the course of this refinancing, liabilities to banks rose by EUR 55.2 million. The funds provided by the new consortium of banks were used to redeem, at the beginning of November 2014, the bond that had been placed on the Stuttgart stock exchange and also to pay back an existing shareholder loan. With this refinancing arrangement, the Company has secured its financing for the coming five years. This should significantly reduce the high interest expenses recorded in recent years for the future.

The debt ratio of the Company (total liabilities / total equity and liabilities) now comes to 54.8% (prior year: 88.3%). A comprehensive suite of collateral assignments was granted as part of the financing arrangement, as is customary for syndicated bank loans.

A total credit line of EUR 95.0 million was agreed on in the new syndicated bank loan, composed of a medium-term loan (Term Loan A) of EUR 50.0 million and a current account loan of EUR 45.0 million (Revolver). As of 31 December 2014, a total of EUR 48.6 million had been drawn on Term Loan A and EUR 23.0 million from the revolving facility. The interest rate on the amounts drawn from the facility is set at the Euribor plus a margin of 2.45%. The margin is variable and can range between 1.75 % and 2.70 % depending on the key financials reported by the Company.

UNIWHEELS AG plays a major role in the financing of the UNIWHEELS Group. Borrowings are generally arranged by UNIWHEELS AG and provided to the subsidiaries as they need them. Any surplus funds at the subsidiaries are transferred to the central cash pool managed by UNIWHEELS AG with cash being extended to them as needed. This reduces the borrowing costs on current liabilities.

The free cash flow generated in 2014 was sufficient to meet all payment obligations at all times.

## 2.4 Net Assets

The balance sheet of the Company reports total assets of EUR 299.2 million (prior year: EUR 126.4 million) of which EUR 190.5 million are fixed (prior year: EUR 91.9 million), with current assets and prepaid expenses accounting for the remaining EUR 108.7 million (prior year: EUR 34.5 million).

Significant changes in fixed assets in the prior year resulted from the transfer of the 52% stake in UPP held by UHM to UNIWHEELS AG. This transfer was effected partly as a contribution (of 5,100 UPP shares) and partly as a sale (of 1,700 UPP shares). Immediately thereafter UNIWHEELS AG contributed the 52% stake to UIG, a wholly owned subsidiary. UIG already held the remaining 48% of UPP's share capital. The purchase of UPP shares was financed by a shareholder loan of EUR 24.7 million from UHM. As a result, shares in affiliated companies increased by EUR 98.9 million.

Current assets mainly include receivables from affiliated companies of EUR 96.5 million (prior year: EUR 34.1 million), with the rise being chiefly attributable to higher profit transfers from subsidiaries and a new intercompany loan of EUR 15.0 million extended to UPP in 2014. Receivables from affiliated companies generally consist of receivables from profit transfers of EUR 61.0 million, loan receivables of EUR 15.0 million and receivables from the cash pool in the German UNIWHEELS Group of EUR 16.3 million. The bank accounts of the UNIWHEELS subsidiaries are pooled on a daily basis at the level of UNIWHEELS AG. The contra account to receivables from cash pooling can be found under liabilities to affiliated companies. These rose by a total of EUR 48.9 million to EUR 89.9 million in 2014. Liabilities to affiliated companies primarily consist of a shareholder loan from UHM of EUR 24.7 million, liabilities from the cash pool of EUR 42.1 million, a short-term intercompany loan of EUR 18.4 million extended by UNIWHEELS Investment (Germany) GmbH and liabilities from loss absorption.

The equity ratio of the Group rose to 45.2% (prior year: 11.7%). The improvement in the equity ratio is a result of the net profit of the Company and the contribution in kind of EUR 74.2 million related to the transfer of the shares in UPP.

Other liabilities decreased to EUR 0.4 million in 2014 (prior year: EUR 8.7 million). This decrease is mainly founded on the repayment of a shareholder loan of EUR 5.0

million and the release of upfront payments on interest swaps as well as the utilization of interest accrued for the BondM.

In sum, fiscal year 2014 developed particularly well for the UNIWHEELS Group. The improvement in the unit sales of the operating entities and the dividend distribution from UPP to UIG, which together led to an increase in income from profit transfer agreements, had a positive impact on the results of the Company. The development of business in 2014 and the transfer of the remaining shares in UPP led to a significant improvement in the net assets, financial position and results of operations.

## 2.5 Financial performance indicators

The following financial indicators are the key management indicators used by the UNIWHEELS Group:

| | 2014 | 2013 |
|---|---:|---:|
| | | |
| Revenue in EUR k | 362,585 | 337,163 |
| Unit sales of wheels (thousands) | 7,228 | 6,871 |
| EBITDA in EUR k | 46,828 | 38,252 |

The business development of the Group in fiscal 2014 was significantly improved on the prior year. Revenue increased by 7.5 % to EUR 362.6 million. Approximately 80% of the revenue of the UNIWHEELS Group is generated by the Automotive division from sales to automobile manufacturers and the remaining 20% by the Accessory division. This positive development is due to both the start of production of new models and a more advantageous product mix that focuses on the premium brands in the Automotive division.

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by EUR 8.6 million on the prior year to EUR 46.8 million. This increase in EBITDA can be attributed to the higher sales revenue from buoyant unit sales and cost reductions in both operations and administrative functions.

## 2.6 Non-Financial Performance Indicators

**Employee satisfaction and qualifications**

The UNIWHEELS Group has a well-trained and motivated workforce of high-performers. To ensure it stays this way, the Group believes that one of its key tasks, as a modern and responsible employer, is to offer its employees a compensation package and interesting benefits commensurate with their performance, in addition to interesting and challenging tasks and an attractive workplace.

Furthermore, it offers its employees a range of working time models, such as flexi-time, part-time work and mobile work.

Training is an important pillar of a sustainable human capital policy. On the reporting date there were five apprentices in the UNIWHEELS Group learning trades such as industrial business, information technology, system integration and inventory management.

Targeted seminars and training measures support the employees in building up their professional and personal competencies. Promotion is an unquestioned element of human resources in the UNIWHEELS Group. Accompanying motivated and talented employees along their career paths towards more challenging tasks and duties. For this reason, the UNIWHEELS Group also offers long-term training such as dual track studies and financial accounting courses at the Chamber of Commerce.

**Industrial safety and occupational health**

Health and safety are an equally vital component of our human capital policies. Internal audits are carried out with the assistance of professionals to ensure that all locations are working on industrial safety and occupational health. This involves an assessment of the organization and the measures needed to protect the workforce. Where a need for improvement becomes apparent, technical or medical measures are initiated accordingly. Employees are offered a range of health programs, such as health checks, at regular intervals. Increasing focus is being placed on medical prevention at all locations of the UNIWHEELS Group. Training and education on issues such as health, hygiene, safety and prevention round off our activities in this field.

## 3. Subsequent Events

No significant events occurred in the period between the reporting date and the finalization of this management report.

## 4. Forecast, Opportunities and Risks

### 4.1 Forecast Report

Deutsche Bank is forecasting a rise of roughly half a percentage point in the growth of the global economy in 2015 to 3.5%. The main driver in this rise in growth is the USA. Based on the decline in unemployment in recent months and the rapid rise in employment, the US economy appears robust enough to allow the Federal Reserve to return to more normal monetary policies. Deutsche Bank expects interest rates to rise again in mid-2015 and that the phase of zero interest rates which has now lasted six years, will come to an end (source: Deutsche Bank Research, Ausblick Deutschland dated 6 January 2015).

Growth in Eastern Europe and emerging economies in Asia is only expected to pick up slightly in comparison to 2014. Most of all, China can assume that the years of double-digit growth have come to an end. However, it should be noted that the share of German exports to China has doubled since 2000 (source: Deutsche Bank Research, Ausblick Deutschland dated 6 January 2015).

According to the VDA press release on 2 December 2014, the global automobile market will see growth of 2 % once again in 2015 to 76.4 million units. Important sales markets, such as China and the USA will lose a bit of impetus. Growth of 6% is forecast for the Chinese automobile market (corresponding to approximately 19 million new vehicles). The US car market is also expected to grow by 2% to just over

16.4 million vehicles. In real terms, this implies that both markets will grow by 1.4 million units in total. The Western European automobile market is also expected to keep growing, albeit at a slower rate, with an increase of 2% to roughly 12.2 million vehicles. The German automobile market, by contrast, is expected to stagnate with growth of only 1% to just over 3 million new vehicle registrations.

Domestic production of passenger cars is projected to rise by 2% to 5.65 million vehicles with foreign production of German brands rising by 5% to 9.6 million new cars. This forecast is based on the stability of the German labour market.

The VDA addresses three points that could be of central importance for 2015 and underpin the positive forecasts:

- Electro-mobility attains market parity
- European production becomes more competitive
- The planned transatlantic trade and investment partnership between the EU and the USA (TTIP)

The brighter prospects on the market and numerous new car models brought to market by automobile manufacturers as well as the stability of the accessories market will have a positive impact on the financial position, financial performance and cash position of the UNIWHEELS Group. For this reason, the Group believes it will continue to occupy an excellent position in the automotive market and it plans to build on this position.

The UNIWHEELS Group is continuing to work intensively on consolidating and building on its market leadership in the German accessories market. However, the UNIWHEELS Group is also expanding its activities on Eastern European markets and perceives good opportunities for the future to generate significant growth in this region.

In terms of development, the UNIWHEELS Group will work on extending its existing product lines and specializing its current designs in 2015. In addition, focus is being placed on streamlining the casting of wheels to ensure state-of-the-art development of new projects.

The original budget target was for earnings after tax of EUR 18.6 million. Actually, a net profit of EUR 46.2 million was generated in fiscal year 2014. The high dividends transferred by the second-tier subsidiary, UPP in Poland, resulted in earnings surpassing the budget target by a wide margin. No such extraordinary effect is expected in 2015. However, on account of the high dividends received in 2014 from the Polish subsidiary and the planned investments in the Polish facility, it is assumed that the Company will generate a net profit in 2015 that is well in excess of the original budget target for 2014.

Based on the current business plan, the management is forecasting significant growth in unit sales and revenue in fiscal 2015. Apart from the higher unit sales, this expected increase in revenue will also be generated by a higher-value product mix. The management of the UNIWHEELS Group is forecasting a slight increase in the Group's EBITDA for the coming year.

Moreover, following the cost-savings realized in the prior year and the streamlining of production, the aim is to make the cost structures more flexible in future. This will also have a positive impact on the Group's earnings.

The management of the UNIWHEELS Group is budgeting for a significant increase in capital expenditure in fiscal 2015. This will primarily focus on production plant and results from the plans to expand capacity and meet the high quality standards set by the UNIWHEELS Group, on top of the continuous improvement of production processes. The increase in capacity is visible in the construction of a new production plant at Stalowa, Wola, Poland. Further investment in IT infrastructure is planned, of which the majority will involve computer-based production planning.

Business developed well in January 2015. Compared to the prior year, it looks like unit sales will display high single-digit growth in the Automotive division and slight growth in the Accessories division year on year. The monthly targets for unit sales laid out in the 2015 budget were exceeded by both divisions in January. The Company is therefore looking forward optimistically to business developments in fiscal 2015.

## 4.2 Opportunities and Risks

The risk management policies of the UNIWHEELS Group remain aligned towards long-term development of the business. This implies that no inappropriate risks are taken. However, if the risks are quantifiable and manageable and can promote the core business of the Group, the management is prepared to take concerted steps to enter into such risks provided they are constantly monitored and managed appropriately.

The risks inherent to the business that the UNIWHEELS Group perceives in the development of unit sales, its costs, net working capital, and the related ability to meet the suppliers' terms of payment as well as collect payments from customers to ensure its liquidity, are all analyzed and managed on a continuous basis by the central risk management system that has been installed. This established system is being constantly developed and refined. This makes it possible to react quickly whenever needed.

Risk management and monitoring has been conceived across the board as a Group-wide steering mechanism. Particularly with regard to the elements of the risk management system already in place such as the planning and budgeting, reporting, continuous management accounting, standardization of process organization and software integration, we have taken precautionary measures to ensure the timely recognition of, and swift reaction to, risks endangering the continuing existence of the Group as a going concern.

In addition to the customary operating risks of a medium-sized automotive supplier, such as the operating risks, organizational risks, personnel risks and security risks, there are a number of other risks to which the entire Group is exposed related to the debt financing of the Group and the hedging of underlying transactions.

The new syndicated bank loan negotiated in 2014 between UNIWHEELS AG and the consortium of banks contains a number of obligations on the Group to comply with certain financial covenants. These are generally measured on the debt ratio and the capital structure and interest structures of the UNIWHEELS Group. The Company is also subject to an obligation to notify the consortium of certain measures and obtain its prior approval, particularly with regard to taking out any new borrowings or prolonging existing ones, extending credit or collateral for a loan, encumbering assets to the benefit of third parties, selling or otherwise disposing of assets as well as any plans for restructuring. If the financial covenants are not complied with, the banks have a right to terminate the agreement, which they may also waive. The same applies if certain payment obligations, warranties and other requirements and obligations are not met. The covenants were complied with in 2014. The Company also believes it will comply with the covenants in 2015.

As in the past, the financing banks were granted a comprehensive suite of collateral assignments in the terms of the loan. If the banks choose to exploit these collateral rights, there is a risk that this might have a negative impact on the business of the entire UNIWHEELS Group. In the event that a risk assessment reveals a higher level of risk exposure on account of constructive or legal circumstances, the Company must reinforce existing collateral arrangements or provide additional security at the discretion of the banks. This could have an indirect impact via UNIWHEELS AG on the financial position, financial performance and cash position of the Group as a whole. The liquidity risk of UNIWHEELS AG is limited by the broad diversification in the sources of available financing. In addition to internal sources, the Group avails of debt finance provided by the credit lines extended by the banks and the syndicated loan agreement. Moreover, other sources of finance, such as factoring and leasing are also used.

Based on the positive development of business in recent years an effort is being made to prepare the Company on all fronts for further growth. The ability to trade on the capital markets demonstrated by the successful placement of the bond issue and its repayment should therefore be continued to a greater extent in future. For this reason, preparations are underway to make use of the capital markets as a source of finance if conditions are right.

Derivative financial instruments are used to create cash flow hedges in order to counter the risks of fluctuations in market prices, interest rates and foreign exchange rates. The risk of an underlying transaction is hedged by one or more hedging instruments functioning as micro-hedges. The use of derivatives is solely for hedging purposes and not for speculation. Derivatives are managed and monitored centrally at corporate headquarters. The risk exposure of UNIWHEELS AG arising from the syndicated bank loan due to fluctuations in interest rates was partly limited by interest swaps (with a nominal value of EUR 48.6 million). The hedging instruments are subject to changes in fair value over their term due to changes in market rates. If the derivatives are sold prior to their expiry, losses might result. The risk of financial loss also exists if a counterparty to a hedging instrument defaults or does not perform its contractual obligations in time.

Liability risks arising from operations are generally transferred to insurers in order to avoid a risk to the Company's ability to continue as a going concern. Financial losses from a loss of reputation are also generally insured against. A risk management system is installed and is being constantly refined and updated.

The entire UNIWHEELS Group also remains exposed to the general business risks confronting automotive suppliers, which could have an impact on its financial position and results of operations. These include fluctuations in the wider economy, sovereign political risks, tax risks from changes in the law and the general risks arising from acquisitions.

UNIWHEELS AG is, via its first and second tier subsidiaries, indirectly dependent on the production and sale of vehicles in Europe and thus the utilization of capacity at European automobile manufacturers. Continuing investment is required to secure quality standards. Capacities have to be aligned to market requirements. In this context, sudden drops in the market could have a substantial impact on the financial position, financial performance and cash position. In order to assess and manage these risks, as well as initiate countermeasures, regular meetings of the management board are held and also on an ad hoc basis as needed.

From the current perspective, the overall risk position of the Company is assessed as stable. At present, there are no discernible risks which could, in isolation or in aggregate, lead to a long-term deterioration in the financial position, financial performance and cash position of the Group. Likewise, there are no visible risks to the ability of the Company to continue as a going concern.

The overall risk exposure has contracted in comparison to the prior year. This has also been confirmed in the improved Euler-Hermes rating of BB-.

The higher level of orders in the Automotive division and the stability of sales of wheels in the Accessory division are very positive signals. In addition to the cost-savings and streamlining measures that have been implemented, this had a very positive effect on the development of business in the past fiscal year. The management board is confident that this trend will continue in the coming years. This will give the Group greater headroom when it needs to arrange refinancing for its current financing solution. This will have a positive impact on the interest burden on the UNIWHEELS Group.

Another opportunity lies in the reduction in borrowing costs from concluding the new syndicated loan agreement. In contrast to 2014, the Group no longer has to service a bond with a coupon of 7.5%. Correspondingly, the Company believes that the Group can be financed in 2015 at a much lower interest cost.

## 4.3 Final declaration on the dependent company report

In fiscal 2014, UNIWHEELS AG, Bad Dürkheim, was a dependent company as defined by § 312 (1) AktG of UNIWHEELS Holding (Malta) Limited, Sliema, Malta and RASCH Holding Limited, Road Town, British Virgin Islands as well as of Mr. Ralf Schmid. The Company, represented by its management board, therefore issued a dependent company report on its relationships to affiliated companies which closes with the following declaration:

“UNIWHEELS AG received appropriate consideration for all of the transactions with affiliated companies listed in this report. No other measures as defined by Sec. 312 (1) Sentence 2 AktG were performed in the reporting year. This assessment is based on the circumstances of which we were aware at the time such transactions were undertaken.”

Bad Dürkheim, 6 March 2015

UNIWHEELS AG
Management Board

Ralf Schmid Dr. Karsten Obenaus

**Balance Sheet of UNIWHEELS AG**

**(until 24 Nov 2014: UNIWHEELS Holding (Germany) GmbH), Bad Dürkheim,**

**as of 31 December 2014**

| **A s s e t s** | As of 31.12.2014 EUR | As of 31.12.2013 EUR |
|---|---|---|
| **A. Fixed assets** | | |
| I. Intangible assets | | |
| 1. Industrial property rights and similar rights acquired for a consideration | 5,139,395.53 | 5,636,739.98 |
| 2. Prepayments made | 50,273.44 | 0.00 |
| | 5,189,668.97 | 5,636,739.98 |
| II. Property, plant and equipment | | |
| Other equipment, furniture and fixtures | 240,452.91 | 130,518.33 |
| III. Financial assets | | |
| Shares in affiliated companies | 185,103,487.91 | 86,166,277.91 |
| **B. Current assets** | | |
| I. Accounts receivable and other assets | | |
| 1. Trade accounts receivable | 28,721.19 | 55,133.99 |
| 2. Accounts receivable from affiliated companies | 96,459,083.99 | 34,113,077.01 |
| 3. Other assets | 30,972.74 | 66,448.10 |
| | 96,518,777.92 | 34,234,659.10 |
| II. Cash and cash equivalents | 12,054,374.23 | 43,493.22 |
| **C. Prepaid expenses** | 94,929.41 | 220,219.09 |
| | 299,201,691.35 | 126,431,907.63 |

Exhibit 1

| Liabilities | As of 31.12.2014 EUR | As of 31.12.2013 EUR |
|---|---|---|
| **A. Equity** | | |
| I. Issued capital | 10,000,000.00 | 10,000,000.00 |
| II. Capital reserve | 114,900,000.00 | 46,348,531.95 |
| III. Retained earnings | | |
| 1. Statutory reserve | 230,818.96 | 0.00 |
| 2. Other retained earnings | 12,006.82 | 12,006.82 |
| | 242,825.78 | 12,006.82 |
| IV. Distributable profit | 10,036,999.22 | -41,603,775.69 |
| | 135,179,825.00 | 14,756,763.08 |
| **B. Provisions** | | |
| 1. Tax provisions | 69,634.00 | 0.00 |
| 2. Other provisions | 1,603,053.62 | 826,850.89 |
| | 1,672,687.62 | 826,850.89 |
| **C. Liabilities** | | |
| 1. Bonds | 0.00 | 44,499,000.00 |
| 2. Liabilities to banks | 71,625,017.53 | 16,407,291.78 |
| 3. Trade accounts payable | 470,511.85 | 295,861.79 |
| 4. Liabilities to affiliated companies | 89,850,862.73 | 40,942,944.58 |
| 5. Other liabilities | 402,786.62 | 8,703,195.51 |
| | 162,349,178.73 | 110,848,293.66 |
| | 299,201,691.35 | 126,431,907.63 |

Exhibit 2

**Income Statement for UNIWHEELS AG**
**(until 24 Nov 2014: UNIWHEELS Holding (Germany) GmbH), Bad Dürkheim**
**for the Period from 1 January to 31 December 2014**

| | 2014 EUR | 2013 EUR |
|---|---|---|
| 1. Other operating income | 10,524,300.13 | 8,711,170.56 |
| 2. Personnel expenses | | |
| a) Wages and salaries | 3,450,665.93 | 3,418,938.27 |
| b) Social security contributions and expenses for pensions | 509,321.21 | 510,800.12 |
| | 3,959,987.14 | 3,929,738.39 |
| 3. Depreciation and amortisation of intangible assets and property, plant and equipment | 587,715.53 | 598,054.38 |
| 4. Other operating expenses | 8,619,730.28 | 5,951,094.77 |
| | **-2,643,132.82** | **-1,767,716.98** |
| 5. Income from profit transfer agreements | 61,010,747.17 | 12,378,985.41 |
| 6. Other interest and similar income | 3,078,512.65 | 963,557.59 |
| 7. Impairments of financial assets | 0.00 | 200,000.00 |
| 8. Expenses from transfer of losses | 4,799,026.19 | 7,486,898.59 |
| 9. Interest and similar expenses | 10,109,895.47 | 7,718,955.01 |
| | 49,180,338.16 | -2,063,310.60 |
| **10. Operating profit** | **46,537,205.34** | **-3,831,027.58** |
| 11. Income taxes | 58,288.04 | 12,702.67 |
| 12. Other taxes | 258,762.38 | 3,022.25 |
| **13. Net profit (previous year: net loss)** | **46,220,154.92** | **-3,846,752.50** |
| 14. Accumulated loss from the previous year | -41,603,775.69 | -37,757,023.19 |
| 15. Withdrawal from capital reserve | 5,651,438.95 | 0.00 |
| 16. Addition to retained earnings | 230,818.96 | 0.00 |
| **17. Distributable profit** | **10,036,999.22** | **-41,603,775.69** |

# Notes to the Financial Statements of UNIWHEELS AG

# (until 24 Nov 2014: UNIWHEELS Holding (Germany) GmbH,

# Bad Dürkheim, for the 2014 Fiscal Year

## A. Significant Events During the Fiscal Year

On 24 November 2014, UNIWHEELS AG (hereinafter referred to as the Company), headquartered in Bad Dürkheim, was formed by changing the legal form of UNIWHEELS Holding (Germany) GmbH. The change in the legal form is intended to serve as the structural and organisational basis for the planned growth of the UNIWHEELS Group over the next few years.

In September 2014, the previous consortium of banks was replaced by a new syndicated loan agreement. The financial resources provided by the new consortium were used to redeem the bonds issued on the Stuttgart exchange and to pay off an existing shareholder loan in early November. The refinancing of the Company is intended to result in a significant reduction of the high interest payments paid over the last few years for the future.

In a notarised agreement of 10 June 2014, the 52% stake in UNIWHEELS Production (Poland) Sp. z o.o. (hereinafter: UPP), Stalowa Wola, Poland, held by the shareholder, UNIWHEELS Holding (Malta) Ltd., Sliema, Malta, was transferred to the Company partially by means of a contribution in kind and partially by means of a sale. Immediately thereafter, the Company transferred the 52% stake in UPP as a contribution in kind to UNIWHEELS Investment (Germany) GmbH (hereinafter: UIG), Bad Dürkheim, a 100% subsidiary of the Company, so that UIG now holds all the shares in UPP. As a result, the Company gained full control indirectly over all the material companies in the UNIWHEELS Group and shall prepare consolidated financial statements in accordance with IFRSs, thereby relieving the German companies from their reporting duties pursuant to § 264 Para. 3 HGB (German Commercial Code) for the first time.

## B. Accounting Principles

The rules for large corporations – in compliance with the provisions of the AktG ["Aktiengesetz": German Stock Corporation Act] – were applied for recognition and measurement purposes. The accounting policies for the presentation, breakdown, measurement and valuation of the financial statements correspond to the policies applied in the previous year, with any additions necessary on account of the change in the legal form to a stock corporation being made.

These annual accounts have been compiled in accordance with § 242 ff. and § 264 ff. HGB and the relevant provisions of AktG.

The nature of expense method used to date has been retained for the income statement.

**Intangible assets purchased for a consideration** are recognised at cost and reduced by scheduled amortisation (straight-line method) over their expected useful life, where applicable. Except for brand rights, concessions and industrial property rights are amortised over a period of three to eight years. Brand rights are amortised over a period of 15 years.

**Prepayments made** are reported without sales tax.

**Property, plant and equipment** are recognised at the capitalisable cost of procurement. Scheduled depreciation is generally determined according to the straight-line method, based on the expected economic useful life of the individual assets. The customary useful life ranges between three and 13 years.

Additions during the fiscal year are depreciated on a pro rata temporis basis.

Low-value assets with a value of up to EUR 150.00 are written off completely in the year of addition. Until 2012, assets worth between EUR 150.00 and EUR 1,000.00 were listed in a catch-all account in accordance with § 6 Para. 2a EStG. This catch-all account is depreciated on a straight-line basis over a period of five years. From 2013, relevant movable low-value assets with procurement costs of more than EUR 150.00 are recognised at cost and depreciated on a straight-line basis over their useful life.

**Financial assets** are measured at the lower of the procurement cost or the net realisable value.

Where the value of **fixed assets** determined in accordance with the above principles is higher than their net realisable value on the reporting date, they are written down by recording impairment losses. If it should become apparent in a later fiscal year that the reasons for the impairment no longer apply, the impairment losses are reversed but not by an amount that would raise the carrying value of an asset above its amortised cost.

**Accounts receivable** and **other assets** are generally presented at the lower of their face value or net realisable value. All items exposed to specific risks of default are written down by appropriate specific valuation allowances. The general credit risk is covered by general valuation allowances.

**Other provisions** take into account all discernible risks and liabilities of uncertain timing or amount and are recognised at the settlement amount expected by exercise of due commercial prudence. Future rises in prices and costs are taken into account where there is sufficient objective indication of their occurrence. Provisions with a remaining term of more than one year are discounted at the average market interest rate of the last seven fiscal years, as determined by the Deutsche Bundesbank at the reporting date, in keeping with their remaining term.

**Liabilities** are recognised at the settlement amount.

Futures, options and other derivative financial instruments are used to hedge the risk of changes in interest rates arising from booked, pending and planned underlying transactions. Hedging transactions existing at the reporting date are combined with the underlying transactions and other items, and recognised as hedging relationships. Other open, pending transactions are measured at market value. If anticipated losses are identified in the measurement, they are taken into account as provisions.

Accounts receivable and liabilities in foreign currency with a remaining term of one year or less are translated at the mean rate on the closing date. Those with a remaining term of more than one year are translated at the historical exchange rate. Where the exchange rate changes before the reporting date, the items are measured using the closing rate, taking into account the lower of cost or market principle for assets and the higher of cost or market principle for liabilities.

# C. Notes to the Balance Sheet and Income Statement

## I. Balance sheet

### 1. Fixed assets

The separate statement of changes in fixed assets is an integral component of these notes.

In the 2014 fiscal year, the shareholder transferred the 52% stake in UPP in part by way of a contribution in kind (5,100 shares at a value of EUR 74,203,000) and in part by selling shares (1,700 shares at a value of EUR 24,734,000). Immediately thereafter, the Company transferred the 52% stake in UPP to UIG as a contribution in kind. This circumstance is reflected in financial assets through the addition of EUR 98,937,000.

### 2. Accounts receivable and other assets

**Accounts receivable from affiliated companies** include trade accounts receivable of EUR 3,479,209.69 (previous year: EUR 124,865.88). This increase is primarily due to unpaid management fee bills. Accounts receivable from affiliated companies include loan receivables of EUR 15,022,000 (previous year: EUR 0) with a remaining term of between 1 and 5 years. Accounts receivable from affiliated companies include receivables from the shareholder of EUR 2,997.00 (previous year: EUR 0.00).

**Trade accounts receivable** are all due within one year, as in the previous year. This also applies to the remaining accounts receivable from affiliated companies and other assets.

### 3. Cash and cash equivalents

This item consists of cash on hand and bank balances.

## 4. Prepaid expenses

In the previous year, this item included a debt discount of EUR 165,852.00, which was eliminated upon redemption of the bonds, with an impact on expenses in the financial year.

## 5. Deferred taxes

Deferred taxes have been recognised on temporary differences between the commercial and tax values measured for inventories, liabilities, deferred income and prepaid expenses. The Company includes not only the differences from its own balance sheet items, but also the temporary differences at Group companies in which UNIWHEELS AG (formerly: UNIWHEELS Holding (Germany) GmbH) is also involved as shareholder. In addition to temporary accounting differences, tax loss carry-forwards are also taken into account when measuring deferred taxes. The deferred taxes are measured using the combined income tax rate for the consolidated tax group of the Company, which currently stands at 28.61%. The combined income tax rate includes corporate income tax, the solidarity surcharge and trade tax. At the reporting date, the company carried forward an unused corporate income tax loss of EUR 49,615,000 and an unused trade tax loss of EUR 41,706,000 for offsetting against future profits as well as interest expenses carried forward of EUR 55,109,000 that can also be deducted against future taxable income. Due to the findings of the company tax audit that was completed in the 2014 fiscal year for the assessment periods from 2009 to 2011, the corporate tax loss carry-forwards as of 31 December 2013 were reduced by EUR 1,068,000, from EUR 50,159,000 to EUR 49,091,000, and the trade tax loss carry-forwards as of 31 December 2013 were reduced by EUR 2,689,000, from EUR 46,029,000 to EUR 43,340,000. Any net deferred tax liability is recognised in the balance sheet as deferred tax liabilities, whereas net deferred tax assets are not recognised in keeping with the alternative treatment allowed by § 274 Para. 1 Sentence 2 HGB. A net deferred tax asset was measured in the fiscal year and accordingly not recognised.

## 6. Equity

Upon the change in form, the previous share capital of the Company was converted into the issued capital of the stock corporation of an equal amount. **Issued capital** totals EUR 10,000,000.00 as of 31 December 2014 and is divided into 10,000,000 no-par bearer shares each with an imputed share in capital of EUR 1.00 per share.

The articles of incorporation authorise the Management, with the approval of the Supervisory Board, to increase the share capital of the Company by a total of up to EUR 5,000,000.00 by 1 October 2019, in a single or multiple transactions, by issuing new bearer shares in return for cash or non-cash contributions (**approved capital 2014**). The shares can also be acquired by a bank or a consortium of banks with the requirement that they are offered to the shareholders for subscription. With the approval of the Supervisory Board, the Management is also authorised to exclude subscription rights in certain cases described in more detail in the articles of incorporation. The Management did not make use of this right in fiscal year 2014.

Statement of Changes in the **Capital Reserve** in the 2014 Fiscal Year:

| | EUR |
|---|---|
| Capital reserve as of 31 Dec 2013 | 46,348,531.95 |
| Addition to capital reserve | 74,202,907.00 |
| Withdrawal from capital reserve | 5,651,438.95 |
| Capital reserve as of 31 Dec 2014 | 114,900,000.00 |

The addition of EUR 74,203,000 to the **capital reserve** is due to a contribution in kind.

Due to the Company's change in form from a German limited liability company (GmbH) to a German stock corporation (AG), a statutory reserve in accordance with § 150 AktG was deposited in the **retained earnings**.

| | Total EUR | Statutory reserve EUR | Other retained earnings EUR |
|---|---|---|---|
| Retained earnings on 31 Dec 2013 | 12,006.82 | 0.00 | 12,006.82 |
| Addition to retained earnings | 230,818.96 | 230,818.96 | 0.00 |
| Retained earnings on 31 Dec 2014 | 242,825.78 | 230,818.96 | 12,006.82 |

## 7. Other provisions

The other provisions predominantly include provisions for legal risks (EUR 440,000), obligations from consulting fees (EUR 372,000), pending loss provision (EUR 341,000), liabilities to personnel (EUR 290,000) and the costs of the annual financial statements (EUR 142,000).

## 8. Liabilities

**A bond** was recognised at a nominal amount of EUR 44,499,000.00 in the previous year. The refinancing of the Group and the better interest conditions available on the capital market associated with this allowed the Company to redeem the bond at 102% on 5 November 2014, prior to the expiration of the deadline.

**Liabilities to banks** can be broken down as follows:

| | 31 Dec 2014<br>EUR | 31 Dec 2013<br>EUR |
|---|---|---|
| Remaining term up to 1 year | 28,500,017.53 | 16,407,291.78 |
| Remaining term 1-5 years | 43,125,000.00 | 0.00 |
| | 71,625,017.53 | 16,407,291.78 |

The increase in liabilities to banks results from the conclusion of a new syndicated loan agreement with a new consortium of banks.

In addition, the following collateral has been issued for the liabilities to banks:

- Pledge of the accounts held at German and Polish banks
- Pledge of all shares held in UNIWHEELS Investment (Germany) GmbH, UNIWHEELS Automotive (Germany) GmbH, UNIWHEELS Production (Germany) GmbH and UNIWHEELS Leichtmetallräder (Germany) GmbH
- Collateral assignment of security for all trade accounts receivable and insurance refunds as well as receivables from work and supply agreements
- Collateral conveyance of brand rights to the Rial and Alutec brands

**Liabilities to affiliated companies** include trade accounts payable of EUR 189,306.49 (previous year: EUR 44,955.65). Liabilities to affiliated companies include liabilities to the shareholder of EUR 25,204,536.31 (previous year: EUR 44,491.13). Of this, EUR 24,734,303.00 (previous year: EUR 0.00) relate to loan liabilities with a remaining term of between 1 and 5 years, which were issued in connection with the shareholder's acquisition of the 52% stake in UPP.

For all liabilities to the shareholder, a letter of subordination was agreed upon conclusion of the new syndicated loan agreement on September 2014.

The other **trade accounts payable and liabilities to affiliated companies** have a remaining term of up to one year.

**Other liabilities** break down as follows:

| | 31 Dec 2014<br>EUR | 31 Dec 2013<br>EUR |
|---|---|---|
| Liabilities from tax | 277,760.62 | 129,253.21 |
| Sundry other liabilities | 125,026.00 | 8,573,942.30 |
| | 402,786.62 | 8,703,195.51 |

The remaining terms of **other liabilities** break down as follows:

| | EUR |
|---|---|
| Remaining term up to 1 year | 277,760.62 |
| Remaining term 1-5 years | 125,026.00 |
| | 402,786.62 |

## II. Income Statement

### 1. Affiliated companies

**Income from profit transfer agreements** includes EUR 61,010,747.17 (previous year: EUR 12,378,985.41) from affiliated companies.

**Other interest and similar income** includes EUR 3,078,512.65 (previous year: EUR 963,515.65) from affiliated companies, and **interest and similar expenses** includes EUR 4,068,764.85 (previous year: EUR 1,266,562.49) from affiliated companies.

**Expenses from loss absorption** from affiliated companies totalled EUR 4,799,026.19 (previous year: EUR 7,486,898.59).

The **write-off of financial assets** in the previous year in the amount of EUR 200,000.00 relates to ATS Leichtmetallräder GmbH.

## 2. Income and expenses from other periods

**Other operating income** includes income from other periods of EUR 97,000. This is predominantly income from the reversal of provisions, as well as the reimbursement of social security contributions from 2010 to 2012.

**Other operating expenses** includes expenses from other periods of EUR 108,000. This mainly involves written-off receivables from affiliated companies.

# D. Other information

## 1. Employees

An average of 56 staff were employed.

## 2. Other financial commitments

| | < 1 year EUR | 1-5 years EUR |
|---|---|---|
| Leasing | 62,000 | 33,000 |
| Service agreement, rents | 3,217,000 | 0 |
| | 3,279,000 | 33,000 |

Of the other financial commitments, EUR 3,217,000 concern affiliated companies.

## 3. Contingent liabilities

UNIWHEELS AG, Bad Dürkheim, has issued a letter of comfort related to a rental agreement for a new logistics centre for the aftermarket company, UNIWHEELS Leichtmetallräder (Germany) GmbH. As it expires on 5 August 2027, the current rental agreement will result in future rental payments of EUR 15,450,000. Given that the tenant has so far met its obligations in full, the risk of the letter of comfort being called upon is considered low.

## 4. Shareholdings

At the reporting date, the company has a direct or indirect holding of at least 20% in the following companies:

| Name | Share-holding % | Curr-ency | Equity | Annual result |
|---|---|---|---|---|
| ATS Leichtmetallräder GmbH, Bad Dürkheim | 100 | EUR | 622,000 *) | -1,057,000 |
| UNIWHEELS Leichtmetall-räder (Germany) GmbH, Bad Dürkheim | 100 | EUR | 8,250,000 | 2,950,000 |
| UNIWHEELS Trading Sweden AB, Jonköping, Sweden | 100 | EUR | -186,000 | -280,000 |
| UNIWHEELS Automotive (Germany) GmbH, Bad Dürkheim | 100 | EUR | 1,586,000 | 556,000 *) |
| UNIWHEELS Investment (Germany) GmbH, Bad Dürkheim | 100 | EUR | 157,684,000 | 57,505,000 |
| UNIWHEELS Production (Germany) GmbH, Bad Dürkheim | 100 | EUR | 4,025,000 | -3,742,000 |
| UNIWHEELS Production (Poland) Sp. z.o.o., Stalowa Wola, Poland | 100 | EUR | 122,239,000 | 32,794,000 |

*) before profit/loss transfers

In the reporting year, there was a change in the basis of the reporting at UNIWHEELS Production (Poland) Sp. z.o.o., Stalowa Wola, Poland. UPP has reported in accordance with International Financial Reporting Standards (IFRSs) since 1 January 2014.

A **profit and loss transfer agreement** is in place with the following subsidiaries:

- UNIWHEELS Production (Germany) GmbH
- UNIWHEELS Investment (Germany) GmbH
- UNIWHEELS Automotive (Germany) GmbH
- ATS Leichtmetallräder GmbH
- UNIWHEELS Leichtmetallräder (Germany) GmbH

## 5. Derivative financial instruments

The Company uses derivative financial instruments to hedge against future cash flows from loans (underlying transactions). For this purpose, interest swaps have been concluded as hedging instruments. In micro hedges, the risk inherent in individual underlying transactions is hedged using one or more hedging instruments. During the fiscal year, Tranche A of the syndicated loan agreement in the amount of EUR 48,625,000 was hedged using payer swaps with a nominal value of EUR 48,625,000. The risk of changes in interest rates resulting from the variable interest payments on the loans is eliminated by the variable interest payments from the payer swaps. The fair value of the payer swaps is EUR -192,000. The effectiveness of the hedge was determined both retrospectively and prospectively by examining whether the conditions and parameters of underlying and hedging transactions matched. The Company exercised the option allowed by § 254 HGB for these transactions and applied hedge accounting as of 31 December 2014. The net hedge presentation method was applied for balance sheet purposes. The delay in the conclusion of the hedges has led to initial ineffectiveness. In this context, other liabilities of EUR 125,026.00 were recognised on the reporting date and shall be released through profit and loss over the term of the loan.

The financial instruments carried on the reporting date which were not part of designated hedges break down as follows:

| | Volume | Fair value | Valuation method | Carrying amount |
|---|---|---|---|---|
| | EUR | EUR | | EUR |
| Currency derivatives | 1,700,000 | 38,000 | Market to market | 0 |
| | | 38,000 | | 0 |

## 6. Voting right notifications

We received the following notifications on the existence of an equity investment in the Company of which we were informed in accordance with § 20 Para. 1 or Para. 4 AktG:

UNIWHEELS Holding (Malta) Ltd., Sliema, Malta, reports in accordance with § 20 AktG that, since its formation, it has held more than 25% of the shares in the Company and also a majority stake in the Company.

Ralf Schmid, Swieqi, Malta notified us in accordance with § 20 Para. 1 AktG in conjunction with § 16 Para. 4 AktG that he holds more than 25% of the shares and indirectly a majority stake in UNIWHEELS AG.

## 7. Boards of the company

Members of the Management since the change in form to a German stock corporation (AG):

- Ralf Schmid (CEO), Swieqi, Malta
- Dr Karsten Obenaus (CFO), Neustadt/Weinstraße

Members of the Management Board prior to the change in form to a German stock corporation (AG) were:

- Ralf Schmid (CEO), Swieqi, Malta
- Dr Karsten Obenaus (Head of Accounting), Neustadt/Weinstraße (from 3 February 2014)
- Beat Zwahlen (Head of Strategy & Operations), Eggenwil, Switzerland (until 4 September 2014)
- Eckehard Forberich (Head of Accounting), Oberursel (until 7 February 2014)

Members of the Supervisory Board are:

- Beata Olejnik (managing director of UHM), Chairwoman of Supervisory Board, Sliema, Malta
- Dr Wolfgang Baur (business consultant), Stuttgart
- Michael Schmid (technician), Swieqi, Malta

Former members of the Advisory Board of UNIWHELLS Holding (Germany) GmbH:

Dr Stefan Kraus, (lawyer, Luther Rechtsanwaltsgesellschaft mbH), Cologne

Dr Wolfgang Baur (management consultant), Stuttgart

## 8. Auditor's fees

The disclosures on the auditor's fees required by § 285 No. 17 HGB are contained in the consolidated financial statements of the Company.

## 9. Remuneration of Board members

The disclosure on the remuneration of management and the Management Board was not provided in accordance with § 286 Para. 4 HGB. Members of the Supervisory Board and the Advisory Board received remuneration of EUR 68,200.00 for their activities.

## 10.Group disclosures

UNIWHEELS AG, Bad Dürkheim, prepares consolidated financial statements for the largest and smallest group of companies.

Bad Dürkheim, 6 March 2015

UNIWHEELS AG
Management

Ralf Schmid　　　　Dr Karsten Obenaus

**Independent Auditor's Report**

***This audit report is issued on financial statements prepared in German language.***

We have audited the financial statements – comprising the balance sheet, income statement and the notes to the financial statements – together with the bookkeeping system, and the management report of **UNIWHEELS AG (formerly: UNIWHEELS Holding (Germany) GmbH), Bad Dürkheim,** for the fiscal year from 1 January to 31 December 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with the German commercial law, the German stock corporation law and the supplementary provisions of the articles of incorporation are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the annual financial statements, together with the accounting system, and the management report based on our audit.

We conducted our audit of the financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] 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 and violations materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and the supplementary requirements of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is in agreement with the financial statements and presents a true and fair view of the situation of the Company and the opportunities and risks inherent in its future development.

Stuttgart, 6 March 2015

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

| Dr Wolfgang Russ<br>Wirtschaftsprüfer<br>[German Public Auditor] | Thomas Epple<br>Wirtschaftsprüfer<br>[German Public Auditor] |
|---|---|