ELASTIKA MICHELIN S.A.

Financial statements

31 December 2018

In accordance with the Greek Accounting Standards (Law 4308/2014)

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BOARD OF DIRECTORS REPORT TO THE ORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE COMPANY “ELASTIKA MICHELIN A.E.” ON THE FINANCIAL STATEMENTS OF THE FINANCIAL YEAR 2018

MANAGENEMENT RERORT

OF THE BOARD OF DIRECTORS TO ORDINARY GENERAL MEETING OF SHAREHOLDERS OF ELASTIKA MICHELIN A.E IN THE BALANCE SHEET AND THE RESULTS OF THE FINANCIAL YEAR 2018

TERM 1/1/2018 – 31/12-2018

To the Shareholders,

We are honored to bring to your consideration for approval the financial statements for the year 1/1 - 31/12/2018 of our company and provide you with the following clarifications.

1. Macro-economic environment

Since July 2015 Greece has entered and is already currently at the end of the implementation of the third “Economic Adjustment Program”, between the Greek government and European Commission, together with ECB, ESM and IMF.

In 2017, the second assessment of the Program was completed which led to a further easing of capital controls and to an upgrading of the country’s credit rating by international ratings agencies.

The economic growth rate for 2018 was 1.9%, 0.2 percentage points below the government's forecast, but closer to 2%, closer to Commission’s projections.

In addition, in early 2019, Greece returned to international markets for the first time since its exit from the economic adjustment program, with 5-year and 10-year bonds.

2. Company forecast, risks

This period finds the company fortified under strong organisational structures and the continuous guidance and support of a sound Group.

From January 2018, the company Elastika Michelin, as a subsidiary company of Michelin Group, operates in commercial zone of EC (of Central Europe),, which continuously develops and evolves as one of the biggest European centres.

Its administrative centre is seated at Bucharest, Romania.

The material objective remains the optimisation of its economic sizes, emphasizing at solid infrastructures, procedures and flexible organisation.

The results and financial indicators prove that the commercial and the credit policy of the company as well as its financial management proved effective to deal with the intense financial crisis and the related comprising risks.

A. Exchange risk

The Company does not face risk due to the variation in exchange prices, since the company does not conduct transactions in different currency.

B. Risk of liquidity

The possibility of the Company's inability to fully or timely repay its current and future obligations is considered as risk of liquidity. The Company has the possibility to face this risk by means of the necessary available funds that the Company disposes and through its International Network.

C. Credit risk

The risk of non timely or the inability of debt collection is defined as credit risk. The Company runs a certain credit risk from its commercial activities which however it appreciates as limited due to the fact that sufficient predictions of elimination have been made.

D. Risk of cash flow

The cash flow of the Company is not expected to be affected significantly by the changes of the interest rates. The Company has the possibility of borrowing with the current interest rates, upon exclusivity from the mother company.

E. Environmental risk

No environmental risks exist since the Company is purely commercial and the nature of its activities does not include productive activities and also because the company has contracted with an approved management association for the prevention of waste creation from tires and re-use, recycling and energy exploitation of used tires.

The Company does not face important labour issues and fully complies with the existing legislation.

3. Tax Audits

In 2016, there was a regular tax audit for the years 2009 and 2010. The company received a temporary assessment notice in November of the same year.

In January 2017, the company applied Law no 4446/2016 for voluntary disclosure of income, deploying the option the reductions of the increments on the taxes and further it has fulfilled all its obligations in relation to the payment of the final tax.

From 2011 to 2015, the company received a tax certificate with assent of a private audit company, as per the implementation of tax provisions, according to the Greek legislation.

For financial year 2016, this certificate becomes optional, but the company decided to apply tax audit to this financial year as well, as the financial department estimates that the acquisition of a tax certificate restricts the risks of the company in the potential audit from the state audit authorities.

4. Financial position of the Company

The company's financial position on 31/12/2018 is considered satisfactory.

Equity as at 31/12/2018 amounted to Euro 8.7m recording an increase of 3.6%.

The main financial indices of the company for the years 2018 and 2017 are as follows:

1. The ratio of current assets to total assets
2. is 78.29% compared to the year 2017 amounting to 80.69%, is presented with a change of 2.97%.
3. The ratio of current assets to short-term liabilities of 119.28% relative to the previous year 2017 115.16% is increased by 4.12 percentage points.
4. The percentage of gross profit on the company's sales decreased to 18.89% against 19.59% of the year 2017.
5. The overall performance of the company compared to its total revenues is increased to 2.3% compared to 2.00% in 2017.
6. In 2018, the ratio of equity to equity equals 327.29% as opposed to the 2017 which was 316.08%.

5. Activities in research and development

There are no important activities in the research and development sector.

From January 1st, 2017, the Company successfully outsourced its accounting operations to a new external contractor, and the new financial and accounting software was implemented and entered into operation.

6. Information of the financial instruments

The loan agreement which was conducted in 2011, for financing purposes, with the shareholder company "S.p.A. Michelin Italiana ", in the form of a credit line and the form of an overdraft account, with a credit limit of Euro five million (5,000,000.00) was transferred to the Group company called CFM under the same terms.

7. Company's Real Assets

On 12/01/2017 the contract is completed and the company has settled all its debts. On 31/12/2018, there were pending legal actions in order for the property to be acquired by the Company.

8. Events after the Financial Statements date

There are no significant events affecting the business process of the company.

To the Shareholders,

Following the above, please approve the balance sheet and income statement for the year 2018.

28/06/2018

The Chairman & Managing Director
Anastassios Pigadiotis
ID No : 696023

A. BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	31/12/2018	31/12/2017
Non-current assets			
Tangible assets			
Property and plant		5.626.693	5.618.134
Other Equipment		68.535	71.829
Total	**5.3**	**5.695.228**	**5.689.963**
Intangible assets			
	5.4	1	1
Financial assets			
Investments in associates		12.000	12.000
Other long term receivables	5.5	98.109	27.609
Total	5.6	**110.109**	**39.609**
Total non-current assets		**5.805.337**	**5.729.573**
Current assets			
Merchandise		2.629.278	2.888.963
Purchases under collection		461.819	1.039.035
Total		**3.091.097**	**3.927.998**
	5.7		
Trade receivables		12.281.434	11.357.193
Accrued income	5.8	462.633	48.823
Other receivables		407.867	117.109
Prepaid expenses	5.9	530	14.350
Cash and cash equivalents		4.692.172	8.474.892
Total	5.10	**17.844.636**	**20.012.367**
Total current assets		**20.935.733**	**23.940.365**
Total assets		**26.741.070**	**29.669.938**

	Note	31/12/2018	31/12/2017
Equity			
Common equity			
Share capital		2.660.531	2.660.531
Share premium		12	12
Total	5.11	**2.660.543**	**2.660.543**
Government grants		235.500	235.500
Reserves and Retained earnings			
Reserves by Law	5.12	459.587	435.724
Retained earnings		5.352.030	5.077.647
Total		**5.811.617**	**5.513.371**
Total Equity		**8.707.660**	**8.409.414**
Provisions			
Provision for staff leaving indemnities	5.13	483.159	471.727
Total		**471.727**	**471.727**
Liabilities			
Trade payables	5.14	13.360.662	16.734.739
Other taxes and duties	5.14	828.525	747.545
Social security organizations	5.15	90.089	81.695
Other liabilities		66.914	688
Accrued expenses	5.16	3.204.061	3.224.130
Total		**17.550.250**	**20.788.797**
Total Liabilities		**17.550.250**	**20.788.797**
	5.17		
Total Equity, provisions and liabilities		**26.741.070**	**29.669.938**

B. INCOME STATEMENTS 1st JANUARY– 31st DECEMBER 2018

	Note	1/1-31/12/2018	1/1-31/12/2017
Sales (Net)	5.19	66.136.430	64.386.623
Cost of sales		(53.646.106)	(51.776.108)
Gross profit		**12.490.324**	**12.610.515**
Other income	5.20	1.187.415	1.176.476
Administrative expenses	5.22	**(2.220.767)**	**(2.280.164)**
Selling and distribution expenses	5.22	(9.917.196)	(10.429.578)
Other expenses and losses	5.21	(83.831)	(37.288)
Other revenue and profits		99.291	286.111
EBIT		**1.555.236**	**1.326.072**
Finance income		0	9.304
Finance costs		(30.544)	(46.175)
EBT		**1.524.692**	**1.289.201**
Income Tax	5.26	(684.815)	(824.081)
Net income		**839.887**	**465.120**

C. STATEMENT OF CHANGES IN EQUITY 1st JANUARY– 31st DECEMBER 2018

	Share Capital	Share Premium	Government Grants	Reserves by Law	Retained earnings	Total Equity
Balance 01.01.2017	**2.660.531**	**12**	**235.500**	**435.723**	**4.612.527**	**7.944.293**
Statutory reserved increase Share capital decrease against losses carried forward				0		0
Dividends payment					0	0
Result for the year					465.120	465.120
Balance 31.12.2017	**2.660.531**	**12**	**235.500**	**435.723**	**5.077.647**	**8.409.413**
Statutory reserved increase Share capital decrease against losses carried forward				23.864	(23.864)	0,00
Dividends payment					(541.630)	(541.630)
Result for the year					839.877	839.877
Balance 31.12.2018	**2.660.531**	**12**	**235.500**	**459.587**	**5.352.030**	**8.707.660**

D. CASH FLOW STATEMENT (INDIRECT METHOD) 1st JANUARY– 31st DECEMBER 2018

	Note	31/12/2018	31/12/2017
Cash flows from operating activities			
Profit/loss before tax		1.524.692	1.289.201
Plus or minus adjustments for:			
Depreciation and impairment of tangible and intangible fixed assets		256.609	313.373
Provisions		14.612	(628.609)
Interest paid and receive (net amount)		30.544	36.871
		1.826.457	**1.010.836**
Plus or minus changes in working capital accounts			
Changes in inventories		836.901	(208.692)
Changes in receivables		(1.688.668)	1.393.199
Changes in liabilities		(3.262.392)	483.650
		(4.114.159)	**1.668.157**
Less:			
Interest paid		(30.544)	(46.175)
Income tax paid		(660.968)	(848.745)
Total		**(2.979.245)**	**1.784.073**
Cash flows from investing activities			
Payments to acquire (sale) of fixed assets		(261.874)	(74.145)
Interest received		0,00	9.304
Total		**(261.874)**	**(64.841)**
Cash flows from financing activities			
Collection (payment) of loans		0,00	(29.722)
Dividends paid		(541.630)	0,00
Total		**(541.630)**	**(29.722)**
Reconciliation of changes in cash and cash equivalents			
Net increase/decrease of cash and cash equivalents in the period		(3.782.719)	1.689.510
Cash and cash equivalents at the beginning of the period		8.474.892	6.785.382
Cash and cash equivalents at the end of the period		**4.692.173**	**8.474.892**

E. NOTES TO THE FINANCIAL STATEMENTS

1. COMPANY INFORMATION

Elastika Michelin S.A. (hereafter “the Company”) was established in 1978. The Company is domiciled in Greece, prefecture of Attica and the address of its registered office is in Municipality of Chalandrion, 1 Tzavella street (P.O 152 31).

The Company’s General Commercial Registry number is 000312401000 and its duration was initially set to 60 years.

The Company’s main activity is the import and marketing of various type of tires and related components.

The Company is not under liquidation.

In compliance with the quality criteria of Law 4308/2014 (article 2), the Company is categorized as a large entity.

The Company is controlled by “Compagnie Financière Michelin SCmA”, a holding company based in Switzerland which manages the companies of Michelin Group. The Company’s financials are consolidated in the financials of “CGEM Compagnie Generale des Etablissements Michelin”.

2. GOING CONCERN

The Financial Statements have been prepared under the going concern principal, which has been assessed by the Company's management for the period until 31st December 2017, based on all available information at the time of assessment. There has been no objective evidence to cast doubt on the principle of going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of presentation of the annual financial statements

The Financial Statements have been prepared in accordance with the Greek Accounting Standards (hereinafter GAS) as they have been incorporated under Law 4308/2014. These are the Company’s first financial statements in accordance with GAS.

The Financial Statements are presented in Euro, which is the Company's functional currency.

All Financial Statements’ captions were recognized in accordance with the principle of accrual accounting.

The Financial Statements were prepared in accordance with the historical cost principle.

There are no assets or liabilities that are related to more than one balance sheet captions.

The attached Financial Statements for the year ended 31 December 2017 were approved by the Board of Directors on 28/06/2019. It is noted that annual financial statements are subject to approval of the Annual General Meeting of Shareholders.

3.2 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

Tangible and intangible fixed assets

Tangible assets are initially recognized at acquisition cost, and subsequently measured at amortized cost. The acquisition cost includes all costs necessary to get it ready to use up to the point it is put into service required to bring the asset to working condition for its intended use.

In particular, the following items, among others, shall be considered as tangible assets:

- Improvements on fixed assets.
- Repairs and maintenance, only when such expenditure meets the definition of an asset. In all other cases, respective expenditure is expensed.
- Cost of dismantling and removing the asset and restoring the site on which it is located when the respective obligation exists as a result of its installation or its use for a specific period. If the aforementioned cost relates to production, the cost is charged to production.

Depreciation

Fixed assets of limited useful life are subject to depreciation.

Depreciation of an asset begins when it is available for its intended use and is based on the estimated useful economic life. Assets are depreciated under the straight line method over its estimated useful economic life.

Land is not subject to depreciation. However, land improvements with limited useful life are depreciated.

The following table presents the estimated useful economic life of the Company's tangible assets.

	Useful life
Buildings	25 years
Machinery and vehicles	10 years
Furniture and other equipment	10 years
Computer equipment	5 years

The residual values and the useful lives of tangible assets are reviewed at each reporting period. When the carrying amount of tangible assets exceeds their recoverable amount, the difference (impairment) is recognized in the income statement.

Company's intangible assets comprise of software licenses. Software licenses are measured at acquisition cost less accumulated amortization, less any accumulated impairment. Depreciation is calculated using the straight-line method over their useful economic life, which is estimated at 5 years.

Impairment

Management reviews the carrying amount of tangible and intangible assets in order to assess whether there is indication of impairment given that the impact of a possible impairment is significant to the financial statements.

Indications of impairment:

- a decline in the asset's value beyond the amount that would be expected as a result of time or use
- the adverse changes in the technological, economic and legal environment of the entity,
- an increase in the market interest rates or in the returns of an investments that may lead to a material decrease to the asset's recoverable amount, and
- obsolescence or physical damage of an asset.

If any such indication exists, the asset's recoverable amount is estimated in order to determine the amount of loss from the impairment (if applicable). Impairment testing is performed whenever there is an indication of impairment of the value of the aforementioned assets.

The recoverable amount of an asset is the higher of its fair value less the costs related to its sale and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, its value is reduced to reach its recoverable amount.

Impairment losses are recognized as an expense in the income statement. Impairment losses shall be reversed in the income statement when the conditions for the impairment cease to exist. The carrying value of the asset after the reversal of the impairment shall not exceed the carrying value that this asset would have had, if no impairment had been recognized. The reversal of any impairment losses shall be recognized as a revenue in the income statement.

Formation expenses

Formation expenses that relate to the establishment of a company or to the opening of a new facility (costs prior to opening) or to new operations or the launch of new products or processes (costs prior to the operations) are recognized as expense in the income statement when incurred.

It is noted that the Company has made use of Article 37 (paragraph 5) of Law 4308/2014, which stipulates that formation expenses may continue to be recognized in the balance sheet after the date 31 December 2014 and until they are fully depreciated in accordance with the existing tax legislation. The formation expenses have been recognized as intangible assets.

Leased assets

Finance Lease

Assets held by the Company under leases that transfer to the Company all risks and rewards of ownership are classified as finance leases.

An asset held by an entity (lessee) under a finance lease is recognized as a tangible asset at the acquisition cost that would have incurred if it was purchased. The accounting treatment of these assets is the same with that of owned tangible assets. On the other side, a liability is recognized towards the lessor. The accounting treatment of the finance lease obligation is the same with the treatment of a loan. The lease is split into capital payment which reduces the liability and interest which is recognized as finance expense.

Sale and leaseback of an asset is considered as a guaranteed loan. Proceeds from the sale are recognized as a liability which is reduced by the amount of the capital repayments, whereas interest is recognized in the income statement as finance expense. Assets sold under a sale and lease back agreement continue to be recognized in the balance sheet as assets.

It is noted that in 2007 the Company entered into a sales and leaseback agreement with Piraeus Leasing SA regarding the warehouse located at Avlona of Attica. This was considered a finance lease and adjustments were made for the transition to GAS.

Operating Lease

Assets held under other leases, where all risks and rewards of ownership are held by the lessor, are classified as operating leases and are not recognized in the Company's Balance sheet. In particular, when the Company is the lessee under an operating lease agreement, it recognizes the lease expense using the straight line method, unless another systematic method is more appropriate for allocating the lease over the duration of the rental agreement.

Inventories

Inventories are initially recognized at acquisition cost. The cost of inventories includes all other costs incurred in bringing inventory to its present location and condition.

After initial recognition, inventories are measured at the lower of cost and the net realizable value.

The net realizable value is the estimated selling price in the ordinary course of business minus any costs to complete and to sell the goods.

The value of the closing inventory is determined with the weighted average cost method. Purchases of consumable materials which are not considered material may be treated as expenses.

The Company impairs the value of its inventories when there is indication that either the cash inflows from their sale will be lower than their book value or they won't be sold as a result of their current condition. The Company's management reviews the adequacy of the provision for obsolete stock at each reporting period. The changes in the provision are recognized in the income statement.

Financial assets

All financial assets are initially recognized at cost, with subsequent measurement at cost less impairment losses. Specifically, after initial recognition, interest bearing financial assets are measured at amortized cost using the effective interest rate method or the straight method, over the acquisition cost less impairment losses, if the method of the amortized cost poses a significant effect on the financial statement figures.

We consider as interest bearing financial assets those items which are deemed to contain significant amounts of interest, even if this is not explicitly stated.

Financial assets are reviewed for impairment if there are indications of such an event.

Objective evidence of assets' impairment is considered to exist when:

- The issuer or obligor of financial assets undergoes obvious, serious financial difficulties.
- The book value of these assets is significantly higher than their fair value (when a fair value exists)
- Adverse local, national or international conditions increase the likelihood of default on key commitments arising from these financial assets.

An impairment loss occurs when the carrying amount of the asset is greater from the amount that the Company expects to recover from the asset (recoverable amount). The recoverable amount is the greater from:

a) Value in use i.e. the present value of the amount expected to be received from the asset, calculated using the original effective interest rate or
b) The asset's fair value less costs to sell.

Impairment losses are recognized in the income statement and are reversed to gains, when their causes seize to exist. The reversal is limited to the asset's value, had it not recognized an impairment loss.

In particular, impairment losses for non-current financial assets are recognized when it is estimated that the impairment will be of a permanent nature.

Equity

The Company's equity includes the owners contributed capital, including the share premium, the reserves formed pursuant to the provisions of fiscal or other laws and regulations and the retained earnings.

Share capital is determined on the nominal value of issued shares. The capital already paid by the owners is recognized in Company’s capital.

Equity funds related to share premium and stocks, are initially recognized and subsequently measured at the nominal amounts received or paid.

Costs directly related to equity (i.e. share capital increase costs) are presented as a deduction from equity, under the condition that their presentation is significant for the financial statements. Otherwise the amount will be recognized as an expense in respective period.

Government grants

Government grants relating to assets are recognized as liabilities when payment is received or approved. Government grants are recognized at the amounts received or approved.

Subsequent to initial recognition, government grants are amortized and the amortization is recognized in a similar way with the depreciation of the subsided asset.

It is noted that under the previous accounting standards (Law 4308/2014) government grants were recognized in equity. The Company has made use of Article 37 (paragraph 5) of Law 4308/2014, which stipulates that government grants may continue to be recognized in the balance sheet after 31 December 2014 and until they are fully depreciated in accordance with the existing tax legislation.

Government grants relating to expenses are recognized as income in the income statement in the period in which the related expenses are incurred.

Employee benefits

Provisions for employee benefits due to retirement are recognized and measured either in the nominal amounts stipulated by legislation at the balance sheet date or based on an accepted actuarial method if the actuarial method has a significant impact on the financial statements.
According to Law 2112/20 and Law 4093/12, the Company shall disburse employee compensation for dismissal or retirement. The level of this compensation depends on the years of service, the salary level and the cause behind the removal from service (dismissal or retirement). The entitlement to participate in these programs, is usually based on the employee's remaining years of service until retirement.

Other provisions

Provisions are initially recognized and subsequently measured at the estimated necessary nominal amount for their settlement.

On the contrary, provisions are initially recognized and subsequently measured at the present value of their estimated settlement amount, if the present value measurement will have a material impact on the financial statements figures as compared to the nominal amount measurement.

Differences arising either on reassessment or on the settlement of the provisions are recognized as profit or loss in the period in which they arise.

Financial liabilities

Financial liabilities are initially recognized at their due amount. Subsequent to initial recognition, financial liabilities are measured at the due amount. Alternatively, financial liabilities are initially recognized and subsequently measured at their amortized cost using the effective interest method or the straight line method, if measurement with the rule stipulated in this paragraph will present a significant effect on the financial statements figures.

In particular, to measure financial liabilities at their amortized cost, their initial recognition is on the net realized amount, taking into account the amounts relating to a premium or discount issuance, interest and the costs directly related to their acquisition. Interest from financial liabilities', is recognized as an expense in the Income Statement unless it bears on the cost of assets. Amounts related to a premium or discount version, as well as the cost directly related to assuming liabilities are treated as expenses or income for the liabilities' period of initial recognition.

The Company derecognizes a financial liability when the contractual obligations stemming from the liability are met, canceled or expired.

The amendment of the terms of an existing financial liability (whether this was the result of financial difficulties of the side of the debtor or not) is treated as a settlement of the original and a recognition of a new liability.

The difference between the carrying value of a financial liability, settled or transferred to a third party and the consideration paid, including the carrying amount of other, non-cash assets transferred and any new liabilities assumed, is recognized in the Income Statement.

Revenue recognition Revenue is recognized with the accrual method.

Revenue from sale of goods is recognized when all the following criteria are met:

- The significant risks and rewards associated with their ownership are transferred to the buyer.
- The goods are accepted by the buyer
- The economic benefits from the transaction can be reliably measured and their input to the entity is considered very probable.

Revenue from services is recognized according to the percentage of completion (the completion rate method) and only if the inflow from the economic benefit of the transaction is considered exceedingly probable. Alternatively and under the condition that the financial statements figures are not materially affected, the Company could apply the completed contract method.

Revenue from the provision of services is measured net refunds, discounts or sales taxes.

Revenue is recognized separately from the related costs.

Profits from measurements of assets and liabilities, including profits from reversals of provisions and impairment losses recognized on the basis of estimates by item category.

Profit from the derecognition of assets or liabilities is recognized when the respective assets or liabilities are derecognized from the financial statements.

Dividends

Dividends to shareholders are recorded in the financial statements, when the management's distribution proposal is approved in the Annual General Meeting.

Income Tax

Tax expense is the aggregate amount, which is included in the determination of net profit or loss for the period in respect of current tax of the Company under the applicable tax legislation in Greece.

Current tax is the amount of the payable income tax that relates to the taxable profit of the period.

Taxable profit differs from net profit presented in the income statement as it excludes items of income or expense that are taxable or tax deductible in other years and it further excludes items that are non tax deductible. The tax is calculated using tax rates that have been enacted by the balance sheet date.

The Company does not recognize deferred income taxes in the financial statements.

Changes in accounting policies, estimates and correction of errors

There are no changes in the accounting policies and estimates, and correction of errors in the current year.

4. Critical accounting estimates and judgments

The preparation of Financial Statements in accordance with the GAS requires the Company's management to make judgments, estimates and assumptions which affect the application of accounting policies and the balances of assets, liabilities, income and expenses. Therefore actual results may differ from these estimates

The following notes include particular information on the areas where there is estimation uncertainty and critical judgments regarding the application of accounting policies, with a significant effect on the amounts recognized in the Financial Statements:

Income tax. Significant judgment is required, with respect to determining the Company's provisions for income taxes. Under the normal course of the Company's operations there are many transactions and calculations for which the precise tax estimation is uncertain. If the final tax amount arising from the tax audits, differs from the initially recorded amount, the difference will affect the income tax and the deferred tax provisions of the period in which the determination of the tax dispute occurred.

Provision for doubtful debts: The Company impairs the value of its trade receivables when there is data or evidence showing that the recovery of a claim in whole or in part is not possible. The Company's management periodically reassess the adequacy of the provision for doubtful accounts based on factors such as the credit policy, reports from the Legal Service on recent developments in cases it handles, and the assessment / judgment of the effect of other factors related to the collectability requirements.

Provision for obsolete stock: The Company impairs the value of its inventory when there is evidence or indications showing either that the cash inflows from their sale will be lower than their current book value or that they will not be sold as a result of their current condition. The Company's Management periodically reviews the adequacy of the provision for obsolete inventory and any impairment losses are recognized in the income statement.

Provisions for staff leaving indemnities: Staff compensation liabilities, are calculated according to the number of years in service, the size of the remuneration and the reason for living service (dismissal or retirement). The entitlement to participate in these programs, is usually based on the employee's years of service until retirement. According to Law 2112/20 and Law 4093/2012, the Company shall disburse compensation in the event of employees' dismissal or employees' retirement.

Contingent liabilities: The existence of contingent liabilities requires management to continuously make assumptions and judgments with respect to the possible occurrence of future events and the impact that such events could pose on the company's activity.

5. Notes to the Financial Statements

5.1 Deviations from the provisions of GAS

There have been no exceptions in the application of the provisions of Law .4308/2014, or in the application of a provision (Article 29, paragraph. 6 Law. 4308/2014).

5.2 Offsetting between financial assets and liabilities

They do not exist.

5.3 Tangible assets

	Land	Buildings and technical installations	Machinery & other Equipment	Total
Cost 1 January 2017	**2.337.180**	**5.849.155**	**1.020.799**	**9.207.134**
Additions	-	52.183	21.962	74.145
Disposals	-	-	-	0
31 December 2017	**2.337.160**	**5.901.338**	**1.042.761**	**9.281.279**
Accumulated depreciation 1 January 2017	**-**	**2.387.173**	**890.769**	**3.277.942**
Depreciation of the period	-	233.211	80.163	313.373
Disposals	-	-	-	0
31 December 2017	**-**	**2.620.384**	**970.932**	**3.591.316**
Net book value 31 December 2017	**2.337.180**	**3.280.954**	**71.829**	**5.689.963**
Cost 1 January 2018	**2.337.180**	**5.901.338**	**1.042.761**	**9.281.279**
Additions	**-**	247.420	14.453	**261.873**
Disposals	**-**	**-**	**-**	**0**
31 Dec 2018	**2.337.180**	**6.148.758**	**1.057.214**	**9.543.152**
Accumulated depreciation 1 January 2017	**-**	**2.620.384**	**970.932**	**3.591.316**
Depreciation of the period	**-**	238.861	17.748	256.609
Disposals	**-**	-	-	0
31 Jan 2018	**-**	**2.859.245**	**988.680**	**3.847.925**
Accumulated depreciation 31 December 2018	**2.337.180**	**3.289.513**	**68.534**	**5.695.228**

It should also be noted that tangible assets include an asset held under finance lease. In particular, the Company sold and leased back from Piraeus Leasing SA a plot with a warehouse. The cost and the net book value of the aforementioned assets is presented in the table below. The contract is finalized 12/07/2017 and legal actions is currently on place for the ownership transfer.

5.4 Intangible assets

	Software and other intangible assets
Cost 1 January 2017	**284.895**
Additions/ (disposals)	**-**
Cost 31 December 2017	**284.895**
Accumulated depreciation 1 January 2017	**284.894**
Depreciation	
Accumulated depreciation 31 December 2016	**284.894**
Net book value 31 December 2016	**1**
Cost 1 January 2018	**284.895**
Additions/ (disposals)	**-**
Cost 31 December 2018	**284.895**
Accumulated depreciation 1 January 2018	**284.894**
Depreciation	**-**
Accumulated depreciation 31 December 2018	**284.894**
Net book value 31 December 2018	**1**

5.5 Investments in associates

The Company participates in the share capital of a company named "Eco Tire Management SA" with the distinctive title "Ecoelastika" by 20%, corresponding to an amount of EUR 12,000.

5.6 Other long term receivables

Other long-term receivables mainly consist of guarantees given to Company's lessors for the Company's headquarters as well as of advances given to the Public Power Corporation for the provision of electricity.

5.7 Inventories

	31/12/2018	31/12/2017
Merchandise	2.629.278	2.888.963
Purchases under collection	461.819	1.039.035
Total	**3.091.097**	**3.927.998**

There are no liens on the Company's stock

5.8 Trade receivables

	Note	31/12/2018	31/12/2017
Customers		11.995.063	10.926.516
Receivables from affiliated companies	5.17	262.197	299.496
Postdated cheques		24.174	131.181
Doubtful debtors		513.964	520.638
Provision for doubtful debtors		(513.964)	(520.638)
Total		**12.281.434**	**11.357.193**

The estimate of the provision for doubtful trade receivables is based on the ageing of trade receivables and the prospects collections, taking into account, judicial or other means used. The fair values of receivables are interest free and short term.

The movement of provision for doubtful trade receivables is as follows:

	31/12/2018	31/12/2017
Balance 1 January	520.638	562.819
Provision for the period	3.180	3.111
Collections from doubtful debtors	(2.957)	(2.298)
Write-offs	(6.897)	(42.994)
Balance 31 December	**513.964**	**520.638**

5.9 Other receivables

	Note	31/12/2018	31/12/2017
Advance Payment to Suppliers	5.17	328.758	0
Advances to staff		21.726	11.733
Income Tax advance		0	24.664
Other		57.383	80.712
Total		**407.867**	**117.109**

5.10 Cash and cash equivalents

	31/12/2018	31/12/2017
Cash in banks	4.692.173	8.474.892
Total	**4.692.173**	**8.474.892**

The Company's bank deposits consist of cash deposits in Greek and foreign banks. The Company's overdraft account is held by a foreign bank and shows debit balance at 31/12/2017. All bank accounts are in Euro.

5.11 Share capital and share premium

The Company's share capital amounts to EUR 2,660,531, which consist of 488,619 ordinary shares of a nominal value of EUR 5.445 each.

The Company's shareholders are the "Compagnie Financière Michelin SCmA" which is located in Switzerland and the "Societa per Azioni Michelin Italiana Italiana con socio unico S.P.A", which is located in Italy with participation rates of 55.72% and 44.28% respectively.

The Company's Share premium above par value amounting EUR 12

5.12 Reserves

The Company's reserves represent statutory reserves amounting EUR **459.587,** which, according to relevant legislation, must be maintained by Greek Companies. As stipulated by Greek law, the respective reserves should rise to the level of at least 5% of the Company's annual net profits, as they are presented in the accounts, until the reserves reach one third of the share capital. Statutory reserves are not available for distribution for as long as the Company is active and can only be used for covering potential losses.

5.13 Provision for staff leaving indemnities

The Company provision for staff leaving indemnities represents the Company's liability which would occur if the Company's staff retired at the end of each reporting period. The provision recorded in Company's books as at 31 December 2018 amounts to EUR 483.159 (2017: EUR 471.727).

According to the Law 2112/20 and Law 4093/2012 the Company is required under certain conditions, to compensate its employees when they retire. The amount payable in case of retirement is equal to 40% of the amount that would be payable upon dismissal without cause.

5.14 Trade payables

	Note	31/12/2018	31/12/2017
Suppliers		1.299.702	1.469.703
Liabilities to affiliated companies	5.18	12.023,004	15.234.887
Advances from customers		37.956	30.149
Total		**13.360.662**	**16.734.739**

Trade payables relate to interest-free current liabilities.

Liabilities to affiliated companies mainly arise from the purchase of tires and other related species, as well as from charges for services provided by the Michelin Group.

5.15 Other taxes and duties

	31/12/2018	31/12/2017
V.A.T	752.311	681.057
Other tax liabilities	76.214	66.488
Total	**828.525**	**747.545**

Other tax liabilities relate to withheld payroll tax, municipal taxes and special taxes.

5.16 Accrued expenses

	31/12/2018	31/12/2017
Accrued fees	654.500	1.643.538
Other	2.335.062	1.399.245
Discounts on sales	214.499	181.347
Total	**3.204.061**	**3.224.130**

The amount of accrued expenses relates to fees for administrative and IT support services as well as other commercial support services from affiliated companies of the Group Michelin Group. They also concern outsourcing services from the domestic market.

5.17 Transactions with affiliated companies

The sales and purchases to and from related parties are made under general market conditions. The Company purchases goods and receive administrative and IT support services from the associates affiliated “Groupe Michelin”. The Company also sells tires and frames of used tires in affiliated companies.

The main part of the assets and liabilities to affiliated companies relate to the abovementioned transactions.

It is also noted that the Company settles the liabilities through its affiliated company “Companie Financiere Groupe Michelin du”.

The balances of transactions with affiliated companies are as follows:

Amounts for 2018	**Sales of goods and services**	**Purchases of goods and provision services**	**Receivables**	**Liabilities**
Companie Financiere du Groupe Michelin	-	315.321	3.952	
Manufacture Francaise Des Pneumatiques Michelin	155.582	1.483.753	328.202	-
Michelin Europe EEIG European Economic Interest Grouping	-	35.607.192	-	9.740.610
Michelin Hungaria Tyre Manufactyre LTD	91.422	1.331.690	22.237	121.081
Michelin Netherland N.V.	-	160	-	
Michelin Polska S.A.	49.437	7.918.457	48.881	1.097.200
Michelin Reifenwerke Ag. & Co KGAA	141.036	86.947	48.154	45.580
Michelin Romania SA	-	3.913.688	-	380.228
Michelin Travel Partner UK Ltd	-	551	625	-
S.P.A. Michelin Italiana	324.888	239.820	97.063	
Tigar Tyres d.0.0.	-	6.891.066	-	633.271
Michelin North America		28.706		
Michelin Tyre Public Limited Company	41.841	5.464	41.841	5.034
	804.206	**57.822.815**	**590.955**	**12.023.004**

Amounts for 2017	Sales of goods and services	Purchases of goods and provision services	Receivables	Liabilities
Companie Financiere du Groupe Michelin	-	19.264	-	
Manufacture Francaise Des Pneumatiques Michelin	205.477	2.258.786	15.852	475.611
Michelin España Portugal s.a.	46.520	-	-	
Michelin Europe EEIG European Economic Interest Grouping	-	33.011.446	-	9.093.626
Michelin Hungaria Tyre Manufactyre LTD	195.306	1.530.543	171.183	436.684
Michelin Netherland N.V.	-	450	-	
Michelin Polska S.A.	272	8.681.998	272	2.207.468
Michelin Reifenwerke Ag. & Co KGAA	-	6.710	-	792
Michelin Romania SA	76.186	3.472.860	-	799.296
Michelin Travel Partner UK Ltd	-	56	-	56
S.P.A. Michelin Italiana	433.483	-	112.188	
Tigar Tyres d.0.0.	-	6.677.848	-	2.204.356
Michelin Tyre Public Limited Company	-	28.099	-	16.997
	957.244	**55.688.060**	**299.496**	**15.234.887**

5.18 Turnover by activity and by geographical market

	1/1-31/12/2018	1/1-31/12/2017
Activity category		
Commercial activities	66.136.430	64.386.623
Total	**66.136.430**	**64.386.623**
Geographical market		
Domestic market	62.140.788	59.402.680
EU market (ex. Greece)	3.995.642	4.983.943
Total	**66.136.430**	**64.386.623**

5.19 Other Income

	1/1-31/12/2018	1/1-31/12/2017
Financial contribution P.D 109/2004	1.149.666	1.113.842
Other income	37.749	62.634
Total	**1.187.415**	**1.176.476**

The financial contribution of Law 109/2004 relates to amounts withheld which are attributed to the authorized institution for the recycling and further use of used tires.

This financial contribution is charged to customers upon the sale of tires and is afterwards attributed to the authorized institution. The respective charge which is equivalent to income is included in selling and distribution expenses.

Other revenues consist of revenues from services.

5.20 Operating expenses

	Σημ.	1/1-31/12/2018	1/1-31/12/2017
Payroll costs	5.21	2.210.343	1.909.598
Fees to third parties	5.22	5.238.356	5.517.666
Utilities		662.372	720.843
Taxes and duties		78.921	94.457
Sundry expenses	5.23	3.688.182	4.146.037
Depreciation		256.609	318.030
Provision for doubtful debts		3.180	3.110
Total		**12.137.963**	**12.709.741**

Included in:

Administrative expenses	2.220.767	2.280.164
Selling and distribution expenses	9.917.197	10.429.577
Total	**12.137.963**	**12.709.741**

5.21 Payroll costs

	1/1-31/12/2018	1/1-31/12/2017
Wages and salaries	1.606.112	1.441.810
Employer contributions	388.111	352.834
Other benefits	58.143	101.470
Staff allowances	157.977	13.484
Total	**2.210.343**	**1.909.598**

The Company maintains an average of 40 employees working on a full time bases in 2018 (2017: 37).

5.22 Third party fees

	1/1-31/12/2018	1/1-31/12/2017
Management fees	3.226.184	3.370.179
Financial contribution P.D 109/2004 (Note. 5.21)	1.149.666	1.113.842
IT fees	92.332	167.137

Freight costs	296.613	287.864
Other	473.560	578.644
Total	**5.238.356**	**5.517.666**

5.23 Sundry expenses

	1/1-31/12/2018	1/1-31/12/2017
Transportation expenses	1.613.310	1.669.150
Travelling expenses	389.755	368.298
Promotion and marketing expenses	1.404.879	1.913.730
Other	280.239	194.860
Total	**3.688.182**	**4.146.037**

5.24 Other expenses and losses

	01/1-31/12/2018	01/1-31/12/2017
Prior years expenses	74.690	31.977
Tax penalties	2.243	5.311
Other	6.898	-
Total	**83.831**	**37.288**

5.25 Other Income

	1/1-31/12/2018	1/1-31/12/2017
Έσοδα από αχρησιμοποίητες προβλέψεις προηγούμενων χρήσεων	90.948	275.501
Λοιπά έσοδα	8.343	10.610
Σύνολο	**99.291**	**286.111**

5.26 Income tax

According to the Greek tax law, the tax rate applicable for companies in Greece stands at 29% (**2017: 29%)**. This tax rate is in force for the period ended 31 December 2018.

In addition, 100% of income tax advance is required. The prepayment is offset against the tax of the following year.

The main issues of the expense / (benefit) analyzing the current tax agreement at the reporting date are as follows:

	1/1-31/12/2018	1/1-31/12/2017
Profit before tax	1.524.692	1.289.201
Taxes based on tax rate of 29% (2016: 29%)	44.161	373.868

Tax of non-deductible expenses	217.032	261.478
Income tax from previous year	25.622	188.735
Total income tax (expense) in the income statement	**684.815**	**824.081**

5.27 Contingent liabilities and commitments

On 31 December 2018, the Company had no contingent liabilities apart from those relating to unaudited tax years (note. 5.28).
As at December 31 2018, the Company's financial commitments for the following 7 years amount to EUR 422.180,64 as a result of the operating lease agreement for the renting of the headquarters.

5.28 Unaudited tax years

Income tax declarations are submitted on an annual basis. The Company has been audited by the tax authorities until the fiscal year of 2010.
During the year of 2016 a tactic fiscal audit taken place for 2009 and 2010 fiscal years. The company received temporary audit report in November 2017.
In January 2017, the company implemented the law for the "Voluntary Disclosure of Income"(Law 4446/2016), taking the benefit of the reduction in tax penalties and submitted amended income tax returns for the above fiscal years. The total amount of additional taxes and penalties charged was paid by the Company in February 2017. A related provision has been recognized in the financial statements for the year ended 31 December 2016. Based on the final audit reports issued to the Company in March 2017, the result of the years 2009 and 2010 are final.

For the fiscal years 2011 to 2017, the Company has been audited by Certified Auditors in accordance with the provisions of paragraph 5 of Article 82 of Law 2238/1994 and Article 65A of N.4174 / 2013. The audit has been completed for these years and a Tax Compliance Certificate was issued with opinion "Without reservation".

In any case, according to official guidance 1006 / 05.01.2016 enterprises for which a Tax Compliance Report has been issued, do not exempt from ordinary tax audit by the tax authorities. Therefore, the tax authorities may also carry out their own tax audit. The Company's management anticipates that the results from such future audits by the tax authorities, will not significantly affect the financial position of the Company.
However, it is estimated by the Company's management that the results from any future audits by the tax authorities will may not have a material impact on the Company's financial position.

The tax audit for the fiscal year 2018 is in progress by the Company's auditors and the related tax certificate is expected to be issued after the publication of the Company's financial statements.

5.29 Other information

i. Audit fees

The audit fees for the year ended 31 December 2018 amounted to EUR 62,000 and are analyzed as follows:

Service	**31.12.2018**
Statutory audit for 2017	32.500
Tax audit for 2017	30.000
Total	**62.500**

ii. Fees to management

No fees have been paid to the Board of directors for the period from 01 January 2018 – 31 December 2018.

5.30 Events after the reporting period.

There are no significant events after the balance sheet date which could affect significantly the financial structure or business of the Company.

5.31 Distribution

For the year ended 31 December 2018, the Company's Management intends to propose for approval by the Ordinary General Meeting of the Company's shareholders the payment of a dividend amount of EURO 797.883 and also the formation of a regular reserve amounting to EURO 41.994.

The Chairman & CEO	The Vice-Chairman of BOD	The Accounting Director
Anastasios Pigadiotis	Martin Thiollier	Dimitra Grammatikogianni

Independent Auditor's Report
(TRUE TRANSLATION FROM THE ORIGINAL IN GREEK)

To the Shareholders of "ELASTIKA MICHELIN HELLAS COMMERCIAL AND INDUSTRIAL S.A."

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of "ELASTIKA MICHELIN HELLAS COMMERCIAL AND INDUSTRIAL S.A." (the Company), which comprise the statement of financial position as at December 31, 2018, and the statements of comprehensive income, changes in equity and cash flow for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of "ELASTIKA MICHELIN HELLAS COMMERCIAL AND INDUSTRIAL S.A. " as at December 31, 2018, and its financial performance and cash flows for the year then ended in accordance with the provisions of Law 4308/2014.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as they have been transposed in Greek legislation. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the financial statements" section of our report. We are independent of the Company, throughout our election, in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as transposed into Greek legislation and the ethical requirements relevant to the audit of financial statements in Greece and we have fulfilled our responsibilities in accordance with the provisions of the currently enacted law and the requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of Law 4308/2014 and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, as they have been transposed into Greek Legislation, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as they have been transposed into Greek Legislation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Taking into consideration that Management is responsible for the preparation of the Board of Directors' Report, according to the provisions of paragraph 5 of article 2 (part B) of L. 4336/2015, we note the following:

a) In our opinion the Board of Directors' Report has been prepared in accordance with the applicable legal requirements of article 43a of Greek Codified Law 2190/1920 and its content is consistent with the accompanying financial statements for the year ended 31/12/2018.
b) Based on the knowledge we obtained during our audit about "ELASTIKA MICHELIN HELLAS COMMERCIAL AND INDUSTRIAL S.A." and its environment, we have not identified any material inconsistencies in the Board of Directors' Report.

Athens, 04/07/2019

The Certified Public Accountant

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