

reifecom Einkaufsgesellschaft mbH & Co. OHG, Hannover

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

(Translation for our client's convenience –

The German text is authoritative)

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

Index of abbreviations

| | |
|---------|--|
| GmbHG | Gesetz betreffend die Gesellschaften mit beschränkter Haftung (German Limited Liability Company Act) |
| HGB | Handelsgesetzbuch (German Commercial Code) |
| IDW AuS | IDW Auditing Standard |

1. Audit Engagement

By resolution of the ordinary shareholders' meeting on 22 May 2017 of

reifencom Einkaufsgesellschaft mbH & Co. OHG, Hannover,
(hereinafter also referred to as „Einkaufsgesellschaft reifencom“ or „company“)

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

Pursuant to section 316 paragraph 1 HGB our audit is a statutory audit as set up in sections 316 cont. HGB.

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

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

Execution of our engagement and our responsibility, also in relation to third parties, are governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Audit Firms] as of 1 January 2017 (see Appendix 7). The extent of our liability is determined by section 323 paragraph 2 HGB. In relation to third parties number 1 section 2 and number 9 of these General Engagement Terms are decisive.

2. Basic findings

Statement on the assessment of the company's economic situation by the legal representatives

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

Economic position and business performance:

- 1. Overall economic conditions:** In the segment of passenger car tires, which is essential for Reifencor, there was a slight increase in sales volumes from 46.9 million to 47.1 million. The tire replacement business in Germany stabilized last year. Overall, sales were thus around 0.4% higher than in the previous year. Tire sales in the B2C segment thus stabilized at a high level for the third year in succession.
- 2. Earnings position:** The gross profit of reifencor Einkaufsgesellschaft mbH & Co. OHG in the year under review amounted to € 10,628 thousand (FY 2016/2017: € 10,209 thousand).
- 3. Financial situation:** The asset side of the balance sheet in the amount of TEUR 37,640 essentially consists of the tire and wheel rim stock in the amount of TEUR 16,739 44.5% as well as the trade accounts receivable from affiliated companies TEUR 15,146 (40.2%). The medium and short-term liabilities consist mainly of liabilities to banks of EUR 12,212 thousand, trade payables of EUR 17,378 thousand and liabilities to affiliated companies of EUR 5,992 thousand.
- 4. Financial position:** Financing is mainly provided through supplier credits. Retention of title exists with the suppliers. The delivery credit lines granted are only partially exploited.

These key statements on the economic position and on the business performance have been sufficiently detailed in the management report. For further details we therefore refer to the management report, which is attached to this report as Appendix 4.

Future development with its material opportunities and risks

- 1. Opportunities:** Due to the still high status of the automobile in Germany as well as the high safety requirements of the consumers, a complete departure from the new tire purchase is not to be expected.
- 2. Opportunities:** The company uses a central warehouse to improve the situation in the branches of the shareholders and to third parties to the extent that almost 100% availability of the goods requested by the customer is ensured.

This should be compensated for any expected buying restraint of consumers and dealers.

3. **Risks:** Changes in raw material prices affect finished product prices with a delay of approximately 6 months. Important raw materials for tire production include metals, oil-based raw materials and natural rubber. As a result of the rise in commodity prices in 2017/2018, rising purchase prices are also expected for 2018/2019.
4. **Risks:** Some of the goods procured outside the euro area are settled in US dollars or English pounds. Short-term currency fluctuations are hedged by the purchasing company with suitable financial instruments so that there are no identifiable risks.
5. **Forecast:** For the financial year 2018/19, the company expects rising purchase prices as well as increasing sales revenues for the distributed products. The projected turnover is around EUR 82 million.

These key statements on opportunities and risks of the future development of the company have been sufficiently detailed in the management report. For further details we therefore refer to the management report, which is attached to this report as Appendix 4.

Summarized assessment

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

3. Reproduction of the auditor's report

Based on the final result of our audit, we have issued the auditor's report as reproduced below on the annual financial statements attached as Appendix 1 to Appendix 3 and on the management report attached as Appendix 4 for the financial year from 1 April 2017 to 31 March 2018 of reifencom Einkaufsgesellschaft mbH & Co. OHG Hannover:



Reproduction of the
auditor's report

Bestätigungsvermerk des Abschlussprüfers

Wir haben den Jahresabschluss – bestehend aus Bilanz, Gewinn- und Verlustrechnung sowie Anhang – unter Einbeziehung der Buchführung und den Lagebericht der reifencom Einkaufsgesellschaft mbH & Co. OHG, Hannover, für das Geschäftsjahr vom 1. April 2017 bis zum 31. März 2018 geprüft. Die Buchführung und die Aufstellung von Jahresabschluss und Lagebericht nach den deutschen handelsrechtlichen Vorschriften liegen in der Verantwortung der gesetzlichen Vertreter der Gesellschaft. Unsere Aufgabe ist es, auf der Grundlage der von uns durchgeführten Prüfung eine Beurteilung über den Jahresabschluss unter Einbeziehung der Buchführung und über den Lagebericht abzugeben.

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

Unsere Prüfung hat zu keinen Einwendungen geführt.

Nach unserer Beurteilung aufgrund der bei der Prüfung gewonnenen Erkenntnisse entspricht der Jahresabschluss der reifencom Einkaufsgesellschaft mbH & Co. OHG für das Geschäftsjahr vom 1. April 2017 bis zum 31. März 2018 den gesetzlichen Vorschriften und vermittelt unter Beachtung der Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft. Der Lagebericht steht in Einklang mit dem Jahresabschluss, entspricht den gesetzlichen Vorschriften, vermittelt insgesamt ein zutreffendes Bild von der Lage der Gesellschaft und stellt die Chancen und Risiken der zukünftigen Entwicklung zutreffend dar.

Frankfurt am Main, den 27. April 2018

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Robert Binder
Wirtschaftsprüfer

Maximilian Meyer zu Schwabedissen
Wirtschaftsprüfer



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

„Auditor's Report

We have audited the annual financial statements – comprising the balance sheet, the profit and loss account and the notes to the annual financial statements – together with the bookkeeping system and the management report of reifencom Einkaufsgesellschaft mbH & Co. OHG, Hannover, for the financial year from 1 April 2017 to 31 March 2018. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's management. 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 annual financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the 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 effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a sample basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, 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 of reifencom Einkaufsgesellschaft mbH & Co. OHG, Bielefeld, for the financial year from 1 April 2017 to 31 March 2018 comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with legal requirements, as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development."

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

4. Subject, nature and extent of the audit

4.1. Subject of the audit

Subject of our audit were the annual financial statements of reifencom Einkaufsgesellschaft mbH & Co. OHG – comprising the balance sheet, the profit and loss account and the notes to the annual financial statements – together with the bookkeeping system and the management report of the company for the financial year from 1 April 2017 to 31 March 2018.

The annual financial statements and the management report have been prepared on the basis of the accounting principles for limited liability companies of the German Commercial Code in connection with the relevant regulations of the GmbHG.

We have audited the annual financial statements with regard to evidence for the asset and liability items and compliance with the HGB regulations applicable for large-sized limited liability companies with regard to the recognition, valuation and classification of the financial statement items, for the required disclosures in the notes to the annual financial statements and the appropriation of profits. We have also audited compliance with the relevant regulations of the GmbHG. We have included the company's bookkeeping system in our audit.

We have audited the management report on the basis of considering whether it is consistent with the annual financial statements and with the knowledge obtained in our audit, whether the legal requirements for the preparation of the management report have been complied with and whether the management report as a whole provides a suitable view of the company's position; in this respect we have also audited whether opportunities and risks of future development have been sufficiently presented.

The company's management is responsible for the bookkeeping and for preparing the annual financial statements and the management report as well as for the representations they make to us. It was our responsibility to form an opinion on the annual financial statements including the accounting records and on the management report based on the audit performed by us.

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

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

4.2. Nature and extent of the audit

We conducted our audit in accordance with section 317 HGB and German generally accepted auditing standards promulgated by the Institut der Wirtschaftsprüfer

in Deutschland e.V. [Institute of Public Auditors in Germany] (IDW). These standards require that we plan and perform the audit so that we can determine with reasonable assurance whether the bookkeeping, the annual financial statements and the management report are free from material misstatements. Within the audit, evidence supporting the disclosures in the accounting records, the annual financial statements and the management report is verified primarily on a sample basis. The audit includes the assessment of the accounting principles used and significant estimates made by management, as well as the evaluation of the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

- Existence and cut-off of revenues
- Presence and valuation of inventories
- Completeness of provisions
- Plausibility check of the forward-looking statements in the management report

On these critical assertions and matters we have aligned our audit plan which determines the nature, timing and extent of our audit procedures. Within this, both tests of controls of the internal control system – when relying on the effectiveness of the internal control system in order to determine substantive audit procedures or when required – and substantive audit procedures have been performed.

Starting point for our audit were the annual financial statements and the management report from the prior financial year from 1 April 2016 to 31 March 2017, on which we issued an unqualified audit opinion and which were approved by the shareholders' meeting on 22 May 2017.

With regard to the opening balances we have examined whether they have been correctly brought forward from the previous financial year's annual financial statements.

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

The company carries out a permanent inventory in its warehouse in Hildesheim. On April 10, 2018, we participated in a daily inventory count observation.

Within the scope of liabilities as well as credit balances with credit institutions and provisions, we have obtained confirmations of balances, claims and obligations from the supplier confirmations of the supplier balance as well as from all lawyers and tax consultants of the company.

Within the framework of liabilities, bank balances and provisions, we have obtained supplier confirmations of balances and all the attorneys, credit institutions and tax consultants of the Company with confirmations of credit balances, claims and obligations of the Company.

Balance receipts for the receivables entered in balance lists at the balance sheet date have only been obtained for major customers..

In the context of the annual financial statements, we assessed the forward-looking statements in the management report for plausibility and consistency with the findings obtained during the audit.

We performed our audit work with interruptions from 09 April to 27 April 2018, on the premises of the company and in our office. We performed a pre-audit in March 2018 whose results are incorporated in this report.

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

5. Findings and explanations on the accounting

5.1. Correctness of the accounting

5.1.1. Bookkeeping and other audited documents

The company's accounting records are maintained in a proper manner.

In our opinion, based on the knowledge obtained in the audit, the bookkeeping and the other audited documents comply with the statutory provisions and with the German principles of proper accounting throughout the reporting period; the information drawn from the other audited documents are properly reflected in the accounting records, the annual financial statements and the management report.

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

5.1.2. Annual financial statements

In our opinion, based on the knowledge obtained in our audit, the annual financial statements of Einkaufsgesellschaft reifencom attached to this report as Appendix 1 to Appendix 3 – comprising the balance sheet, the profit and loss account and the notes to the annual financial statements – comply with the provisions of the German commercial law including the German principles of proper accounting and with the applicable regulations of the GmbHG.

In our opinion, based on the knowledge obtained in our audit, the balance sheet and the profit and loss account were duly derived from the accounting records and from the further audited documents and the legal requirements regarding classifications, recognition and measurement have been observed.

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

5.1.3. Management report

In our opinion, based on the knowledge obtained in our audit, the management report of Einkaufsgesellschaft reifencom for the financial year from 1 April 2017 to 31 March 2018 attached to this report as Appendix 4 complies with the legal requirements, is consistent with the annual financial statements and with the knowledge obtained in our audit and, as a whole, provides a suitable view of the company's position. Our audit has led to the result that the material opportunities and risks of future development of the company are appropriately described and that the disclosures pursuant to section 289 paragraph 2 HGB are complete and accurate.

5.2. Overall financial statements presentation

5.2.1. Statement on the overall financial statements presentation

In our opinion, based on the knowledge obtained in our audit, the annual financial statements of Einkaufsgesellschaft reifencom, audited by us and attached to this report as Appendix 1 to Appendix 3, as a whole 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.

5.2.2. Valuation principles and transactions with a significant impact

The recognition and measurement methods and further material valuation principles as well as the respective changes compared with the prior year including the impact of these changes on net assets, financial position and results of operations of the company are presented in Appendix 3. Compared with the prior year, no changes of recognition and measurement methods were made.

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

5.2.3. Analyses and explanations supporting the understanding of the overall presentation

In order to better understand the essential effects of changed valuation principles, material fact-setting measures and other material facts, we provide the following breakdowns and explanations for the understanding of the overall statement.

Earnings position

| | see | 2018 | | 2017 | | Change |
|-------------------------------------|----------|---------------|--------------|---------------|--------------|---------------|
| | Nr. | K€ | % | K€ | % | K€ |
| Revenues | | 84.824 | 100,0 | 93.284 | 100,0 | -8.460 |
| Total operating performance | | 84.824 | 100,0 | 93.284 | 100,0 | -8.460 |
| Material expenses | | -74.196 | -87,5 | -83.076 | -89,1 | 8.880 |
| Gross profit | 1 | 10.628 | 12,5 | 10.208 | 10,9 | 420 |
| Other income | | 129 | 0,2 | 129 | 0,1 | 0 |
| Personell expenses | 2 | -1.592 | -1,9 | -1.403 | -1,5 | -189 |
| Depreciations | | -270 | -0,3 | -228 | -0,2 | -42 |
| Other expenses | 3 | -8.623 | -10,2 | -8.466 | -9,1 | -157 |
| EBIT | | 272 | 0,3 | 240 | 0,3 | 32 |
| Financial income | | 6 | 0,0 | 17 | 0,0 | -11 |
| Financial expense | | -155 | -0,2 | -156 | -0,2 | 1 |
| Financial result | | -150 | -0,2 | -139 | -0,1 | -11 |
| Earnings before income taxes | | 123 | 0,1 | 101 | 0,1 | 22 |
| Income taxes | | -76 | -0,1 | -77 | -0,1 | 1 |
| Year-end result | | 47 | 0,0 | 24 | 0,0 | 23 |

to No. 1

The increase in gross profit by around 4.1% to € 10,628 thousand resulted from a higher decline in the cost of materials compared with the decline in sales from the the wholesale business. Revenues also include charges of EUR 1 million to Apollo Vredestein resulting from the stockpiling of the Apollo Vredestein stock.

to No. 2

Personnel expenses increased by € 189 thousand in 2017/2018. This essentially results from the increase in the number of employees in the warehouse area.

to No. 3

Other operating expenses increased by € 157 thousand. This development is mainly due to higher freight costs for warehousing, which are passed to Apollo Vredestein. On the other hand, there are lower expenses for recharged personnel expenses for third-party services of reifencom Hannover and reifencom Bielefeld.

Financial situation

| | see Nr. | 2018 | | 2017 | | Change K€ |
|--|------------|---------------|---------------|---------------|---------------|---------------|
| | | K€ | % | K€ | % | |
| Intangible assets | | 248 | 0,7% | 349 | 0,9% | -101 |
| Property, plant and equipment | | 787 | 2,1% | 610 | 1,5% | 177 |
| Financial investments | | 105 | 0,3% | 105 | 0,3% | 0 |
| Other long-term assets | | 22 | 0,1% | 66 | 0,2% | -44 |
| Long-term assets | | 1.163 | 3,1% | 1.130 | 2,8% | 33 |
| Inventory | 1 | 16.780 | 44,6% | 21.718 | 54,4% | -4.938 |
| Accounts receivables | | 2.930 | 7,8% | 2.317 | 5,8% | 613 |
| Forderungen gegen verbundene Unternehmen | 2 | 15.146 | 40,2% | 12.653 | 31,7% | 2.493 |
| Other assets | | 765 | 2,0% | 774 | 1,9% | -9 |
| Cash and cash equivalents | | 817 | 2,2% | 1.261 | 3,2% | -444 |
| Deferred expenses | | 39 | 0,1% | 35 | 0,1% | 4 |
| Short-term and medium-term assets | | 36.477 | 96,9% | 38.758 | 97,2% | -2.281 |
| Total Assets | | 37.640 | 100,0% | 39.888 | 100,0% | -2.248 |

to No. 1

The decline in inventories was reduced due to seasonal business and the sharp decline in the wholesale business. Furthermore, as of March 31, 2018, lower volumes than in the previous year were purchased in order to improve working capital.

to No. 2

The receivables from affiliated companies increased by EUR 2,493 thousand. The main increase resulted from receivables from reifencom Hannover (EUR +1.6 million) and from reifencom Bielefeld (EUR +0.8 million).

| | see Nr. | 2018 | | 2017 | | Change K€ |
|---|------------|---------------|---------------|---------------|---------------|---------------|
| | | K€ | % | K€ | % | |
| Shareholder's equity | | 1.669 | 4,4% | 1.622 | 4,1% | 47 |
| Long-term accruals | | 4 | 0,0 | 4 | 0,0 | 0 |
| Long-term capital | | 1.673 | 4,4% | 1.626 | 4,1% | 47 |
| Tax accruals | | 42 | 0,1% | 17 | 0,0% | 25 |
| Other accruals | | 272 | 0,7% | 130 | 0,3% | 142 |
| Liabilities to credit institutions | 3 | 12.212 | 32,4% | 7.433 | 18,6% | 4.779 |
| Accounts payables | 4 | 17.378 | 46,2% | 15.321 | 38,4% | 2.057 |
| Liabilities to affiliated companies | 5 | 5.992 | 15,9% | 15.258 | 38,3% | -9.266 |
| Other liabilities | | 17 | 0,0% | 18 | 0,0% | -1 |
| Deferred income | | 54 | 0,1% | 85 | 0,2% | -31 |
| Short-term and medium-term capital | | 35.967 | 95,6% | 38.262 | 95,9% | -2.295 |
| Total capital | | 37.640 | 100,0% | 39.888 | 100,0% | -2.248 |

to No. 3

Liabilities to banks increased by EUR 4,779 thousand. This development is mainly due to higher utilization of the credit line at Rabobank.

to No. 4

Trade payables increased by EUR 2,057 thousand as of the reporting date. In particular, the liabilities due to the supplier Pirelli increased by EUR 3 million as of the balance sheet date, whereas the liabilities to other suppliers have decreased.

to No. 5

Liabilities to affiliated companies fell by € 9,266 thousand. This is due to the reduction in inventories of Apollo tires at the reporting date and the change in the purchasing strategy to improve working capital.

Financial position

To better understand the effects of significant fact-finding measures on the presentation of the financial position, we present a cash flow statement:

| | 2018 K€ | 2017 K€ | Change K€ |
|--|---------------|---------------|---------------|
| Profit for the year (before contribution to the shareholders' accounts) | 47 | 24 | 23 |
| +/- Depreciation on fixed assets | 270 | 228 | 42 |
| +/- Decrease / increase in provisions | 142 | -10 | 152 |
| Increase / decrease in inventories, trade receivables and other assets not attributable to | | | |
| -/+ investing or financing activities | 1.881 | 2.180 | -299 |
| Increase / decrease in trade payables and other liabilities not attributable to investing or financing | | | |
| +/- activities | -7.240 | 2.176 | -9.416 |
| +/- Interest expenses / interest income | 149 | 139 | 10 |
| +/- Income tax expense | 76 | 77 | -1 |
| -/+ Income tax payments | -52 | -60 | 8 |
| Cash inflow / outflow from operating activities | -4.727 | 4.754 | -9.482 |
| - Payments for investments in intangible assets | -42 | -140 | 98 |
| Proceeds from disposals of property, plant and equipment | 3 | 0 | 3 |
| Payments for investments in property, plant and equipment | -308 | -125 | -183 |
| + Interest received | 6 | 17 | -11 |
| = Cash flow from investing activities | -341 | -248 | -94 |
| + Payments from taking up loans | 4.779 | 0 | 4.779 |
| - Payout from bank borrowings | 0 | -3.486 | 3.486 |
| - Interest paid | -155 | -156 | 1 |
| = Cash flow from financing activities | 4.624 | -3.642 | 8.265 |
| Changes in cash and cash equivalents | -444 | 864 | -1.308 |
| Cash and cash equivalents at the beginning of the period | 1.261 | 397 | 864 |
| Cash and cash equivalents at the end of the period | 817 | 1.261 | -444 |

6. Concluding remarks

Key audit partner in terms of the German Professional Statute for German public accountants and German sworn auditors (Berufssatzung WP/vBP) are WP Maximilian Meyer zu Schwabedissen – being primarily responsible for the engagement (engagement partner) – and WP Robert Binder as additionally responsible key audit partner.

We provide this report concerning the audit of the annual financial statements and the management report of reifencom Einkaufsgesellschaft mbH & Co. OHG, Hannover, for the financial year from 1 April 2017 to 31 March 2018 in accordance with the legal requirements and the generally accepted standards for audit reporting (IDW AuS 450).

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

Frankfurt am Main, 27 April 2018

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Robert Binder
Wirtschaftsprüfer

Maximilian Meyer zu Schwabedissen
Wirtschaftsprüfer

Appendices

reifencom Einkaufsgesellschaft mbH & Co. OHG,
Hannover

BALANCE SHEET as at March 31, 2018

| | 31.03.2018 | 31.03.2017 | | 31.03.2018 | 31.03.2017 |
|--|---------------|------------|---|---------------|------------|
| | EUR | EUR | | EUR | EUR |
| ASSETS | | | LIABILITIES | | |
| A. Fixed Assets | | | A. Equity | | |
| I. Intangible Assets | | | I. Capital shares of the personally liable partners | | |
| Paid concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets | 248.453,00 | 349 | | 1.688.743,74 | 1.622 |
| | | | B. Provisions | | |
| II. Tangible fixed assets | | | 1. Tax accruals | 41.969,96 | 17 |
| 1. Land, leasehold rights and buildings including buildings on third-party land | 389.962,00 | 363 | 2. Other provisions | 275.764,22 | 134 |
| 2. Technical equipment and machinery | 129.885,00 | 115 | | 317.734,18 | 151 |
| 3. other assets, factory and office equipment | 267.489,00 | 132 | C. Liabilities | | |
| | | | 1. Liabilities to credit institutions | 12.211.605,31 | 7.433 |
| III. Long-term financial assets | | | - thereof with a residual term of up to one year: EUR 12.211.605,31 (prior year EUR 7.433) | | |
| Shares in affiliated companies | 104.936,52 | 105 | 2. Trade payables | 17.378.447,94 | 15.321 |
| | 1.140.725,52 | 1.064 | - thereof with a residual term of up to one year: EUR 17.378.447,94 (prior year EUR 15.321) | | |
| B. Current assets | | | 3. Liabilities to affiliated companies | 5.991.914,66 | 15.258 |
| I. Inventories | | | - thereof with a residual term of up to one year: EUR 5.991.914,66 (prior year EUR 15.258) | | |
| 1. Raw materials and supplies | 41.015,23 | 81 | 4. Other accounts payable | 17.186,15 | 18 |
| 2. Finished products and goods | 16.739.091,88 | 21.637 | - thereof from taxes: EUR 12.162,75 (prior year EUR 12) | | |
| | 16.780.107,11 | 21.718 | - thereof with a residual term of up to one year: EUR 17.186,15 (prior year EUR 18) | | |
| II. Receivables and other assets | | | - thereof for social security: EUR 516,68 (prior year EUR 1) | 35.599.154,06 | 38.030 |
| 1. Trade receivables | 2.930.498,83 | 2.317 | | | |
| 2. Receivables from affiliates | 15.145.662,02 | 12.653 | D. Accruals and deferred income | 54.026,82 | 85 |
| 3. Other assets | 786.592,81 | 840 | | | |
| - thereof with a residual term of over one year: EUR 22.432,85 (prior year EUR 66) | 18.862.753,66 | 15.810 | | | |
| | 817.263,37 | 1.261 | | | |
| III. Cash-in-hand and bank balances | 36.460.124,14 | 38.789 | | | |
| | 37.639.658,80 | 35 | | | |
| C. Prepaid expenses | 39.888 | 39.888 | | 37.639.658,80 | 39.888 |

reifencom Einkaufsgesellschaft mbH & Co. OHG,
Hannover

Profit and Loss statement
for the period from April 01, 2017 to March 31, 2018

| | 31.03.2018 | | 31.03.2017 | |
|---|-------------------|----------------------------|------------|------------------------|
| | EUR | EUR | kEUR | kEUR |
| 1. Sales revenue | | 84.824.379,70 | | 93.284 |
| 2. Other operating income | | 129.427,72 | | 129 |
| - thereof foreign exchange gains EUR 84.398,65 (prior year kEUR 43) | | | | |
| 3. Cost of materials | | | | |
| Costs for raw materials, consumables and supplies and of purchased merchandise | -74.129.956,82 | | -83.076 | |
| b) Cost of purchased services | <u>-66.400,00</u> | | <u>0</u> | |
| | | -74.196.356,82 | | -83.076 |
| 4. Personnel costs | | | | |
| a) Wages and salaries | -1.322.065,57 | | -1167 | |
| b) Social security contributions and expenses for pensions schemes and support | -270.191,65 | | -236 | |
| - thereof for pensions: EUR 0,00 (prior year kEUR 1) | | | | |
| | | <u>-1.592.257,22</u> | | <u>-1.403</u> |
| 5. Depreciation of property, plant and equipment | | -270.041,92 | | -228 |
| 6. Other operating expenses | | -8.622.295,36 | | -8.466 |
| - thereof of foreign exchange losses EUR 6.140,15 (prior year kEUR 135) | | | | |
| 7. Other interest and similar income | | 5.728,15 | | 17 |
| 8. Other interest and similar expenses | | -155.354,75 | | -156 |
| 9. Taxes on income and profit | | -75.677,00 | | -77 |
| 10. Result after taxes | | 47.552,50 | | 24 |
| 11. Other taxes | | -378,00 | | 0 |
| 12. Annual net profit | | <u>47.174,50</u> | | <u>24</u> |
| 13. Capital shares of the liable partners before use | | 1.621.569,24 | | 1.598,00 |
| 14. Credit / debit on capital accounts | | 47.174,50 | | 24,00 |
| 15. Capital shares of the liable partners according to use | | <u>1.668.743,74</u> | | <u>1.622,00</u> |

reifencom Einkaufsgesellschaft mbH & Co. OHG
Südfeldstraße 16, 30453 Hanover

Annex as of March 31st, 2018

I. General Data

The annual financial statement as of March 31st, 2018 for reifencom Einkaufsgesellschaft mbH & Co. OHG, Hanover (registered at the commercial register of the local court Hanover under HRA 26897) is made in EUR according to the provisions of the Handelsgesetzbuch (German Commercial Code, short HGB) in the version of the Bilanzrichtlinie-Umsetzungsgesetz (German Accounts Directive Implementation Act, short BilRUG).

The company is a large-sized stock corporation according to § 267 paragraph 2 HGB. The provisions valid for stock corporations according to §§ 264 ff. HGB as well as the special regulations of §§ 264a until 264c HGB are applied for the structure of the Balance Sheet and the Profit and Loss Account.

The prior-year figures are given in brackets in TEUR.

The company was founded on January 1st, 2003.

II. Information about the Accounting and Valuation Methods

The valuation of the fixed assets is made regarding the acquisition and production costs. Incidental acquisition costs are considered. The acquisition and production costs have been reduced by the scheduled amortization for fixed assets which usage is limited in time.

The following depreciation rates have generally been applied:

| | <u>Usage period</u> years | Depreciation <u>rate</u> % | Depreciation <u>method</u> |
|-------------------------------|------------------------------|----------------------------------|-------------------------------|
| Intangible assets | 5 | 33.33 | linear |
| Business or company equipment | 2 - 14 | 7.14 – 50.00 | linear |

The freedom of judgment of § 6 paragraph 2 EStG has been employed for the fiscal year 2018. The acquisition costs of the depreciable movable assets of the fixed assets that are capable of an independent usage and which acquisition costs do not exceed EUR 410.00 each are always completely written off in the year of the acquisition.

The company has the following shares in affiliated companies:

| | <u>Shareholding</u> <u>quota</u> % | Equity — TEUR | <u>Result¹</u> <u>of the fiscal year</u> TEUR |
|-----------------------------------|--|---------------------|--|
| reifencom Tyre (Qingdao) Co. Ltd. | 100.0 | 0 | 2 |

Financial assets were valued as acquisition costs. Depreciations to the lower attributable value are made when the depreciation is permanent.

Current Assets

The valuation of raw, auxiliary and operating materials as well as the goods is made regarding the acquisition costs or the lower fair value. Incidental acquisition costs and subsequent expenditures are recorded in the valuation. Purchase price reductions are always written off. Devaluations of inventory risks that are caused by the storage period and reduced usability are made to an appropriate and sufficient scope.

¹ These are the numbers of the last complete statement as of 31.12.2017

Claims – and other assets are given at their nominal value. Recognizable risks are considered through individual and general value adjustments, as far as necessary. Foreign currency receivables were converted at the mean spot exchange rate on the balance sheet date.

The balances at credit institutions and the cash balance are given at their nominal value.

Provisions

The balancing of the provisions is made at the cash value of the future settlement value. Tax accruals and other provisions consider all recognizable risks and uncertain liabilities. The valuation is made to the amount of the necessary settlement value after reasonable commercial judgement.

Liabilities

According to § 253 paragraph 1 HGB, the liabilities are given with their settlement value.

Bases of Currency Translation

Receivables or liabilities in a foreign currency are translated at the average exchange rate valid at the time of the business transaction. All of the receivables and liabilities have a remaining term of up to one year. As far as a forward exchange transaction was concluded for a specific business, the valuation is made at the hedging rate. In the reporting year there were foreign currency positions.

Profit and Loss Account

The total cost method is applied for the Profit and Loss Account according to § 275 paragraph 2 HGB.

III. Information about Balancing

For the development of intangible assets as well as equipment and financial assets, the Assets Analysis according to § 268 paragraph 2 HGB on the following page is referred to.

reifencom Einkaufsgesellschaft mbH & Co. OHG
Südfeldstraße 16, 30453 Hanover

Development of the Fixed Assets 2017/18 (Assets Analysis)

| | Acquisition / production costs | | Value adjustments / write-downs | | | | Carrying amounts | |
|--|--------------------------------|------------|---------------------------------|--------------|-----------|--------------|------------------|--------------|
| | Effective | Disposals | Effective | Additions | Disposals | Effective | Effective | Effective |
| | 1.04.2017 | EUR | 01.04.2017 | EUR | EUR | 31.03.2018 | 31.03.2018 | 31.03.2017 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| | 877,937.41 | 42,353.86 | 893,137.27 | 528,909.41 | 27,154.00 | 644,684.27 | 248,453.00 | 349,028.00 |
| | 877,937.41 | 42,353.86 | 893,137.27 | 528,909.41 | 27,154.00 | 644,684.27 | 248,453.00 | 349,028.00 |
| I. Intangible assets | | | | | | | | |
| paid concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets | | | | | | | | |
| | 441,546.16 | 51,316.09 | 492,862.25 | 78,412.16 | 0.00 | 102,900.25 | 389,962.00 | 363,134.00 |
| | 196,128.00 | 37,500.00 | 230,955.00 | 81,169.00 | 2,408.00 | 101,070.00 | 129,885.00 | 114,959.00 |
| II. Fixed assets | | | | | | | | |
| 1. Land, leasehold rights and buildings including buildings on third-party land | 547,645.08 | 219,062.97 | 698,601.35 | 415,635.08 | 64,838.70 | 431,112.35 | 267,489.00 | 132,010.00 |
| 2. Technical equipment and machinery | 1,185,319.24 | 307,879.06 | 1,422,418.60 | 575,216.24 | 67,246.70 | 635,082.60 | 787,336.00 | 610,103.00 |
| 3. other assets, factory and office equipment | | | | | | | | |
| | 104,936.52 | 0.00 | 104,936.52 | 0.00 | 0.00 | 0.00 | 104,936.52 | 104,936.52 |
| III. Long-term financial assets | | | | | | | | |
| Shares in affiliated companies | 2,168,193.17 | 350,232.92 | 2,420,492.39 | 1,104,125.65 | 94,400.70 | 1,279,766.87 | 1,140,725.52 | 1,064,067.52 |

Claims and other Assets

Claims towards affiliated companies amounting to TEUR 15,146 (previous year: TEUR 12,653) include accounts receivable trade amounting to TEUR 15,146.

Equity

The capital share of the personally liable shareholders is TEUR 1,668. They are distributed among the shareholders as follows:

| | | |
|---------------------------|------|-----------|
| reifencom GmbH, Bielefeld | 50 % | TEUR 834. |
| reifencom GmbH, Hanover | 50 % | TEUR 834. |

The profit shares of the shareholders from the annual net profit as of March 31st, 2018 have been directly attributed to the shareholders in accordance with their shareholdings of the assets according to legal regulations.

Provisions

The other provisions mainly include provisions for outstanding invoices (TEUR 169, previous year: TEUR 50), provisions for leftover holiday entitlements and time credits (TEUR 56, previous year: TEUR 47), financial statement costs (TEUR 30, previous year: TEUR 18), archiving costs (TEUR 4, previous year: TEUR 4) and contributions to employers' liability insurance association (TEUR 17, previous year: TEUR 15)

Liabilities

The composition of the liabilities and their remaining maturities and the kind of security are pointed out in the following liabilities schedule.

Verbindlichkeiten

| | years | Remaining term | | | of which secured |
|--|-----------------|-----------------|-------------|------------|------------------|
| | | < 1 year | 1 – 5 years | > 5 years | |
| | | TEUR | TEUR | TEUR | |
| Liabilities towards credit institutions | 12,212 | 12,212 | 0 | 0 | 12,212 |
| (in the previous year) | (7,433) | (7,433) | (0) | (0) | (7,433) |
| Accounts payable trade | 17,378 | 17,378 | 0 | 0 | 0 |
| (in the previous year) | (15,321) | (12,321) | (0) | (0) | (0) |
| Liabilities towards affiliated companies | 5,992 | 5,992 | 0 | 0 | 0 |
| (in the previous year) | (15,258) | (15,258) | (0) | (0) | (0) |
| Other liabilities | 17 | 17 | 0 | 0 | 0 |
| (in the previous year) | (18) | (18) | (0) | (0) | (0) |
| | 35,599 | 35,599 | 0 | 0 | 12,212 |
| (in the previous year) | <u>(38,030)</u> | <u>(38,030)</u> | <u>(0)</u> | <u>(0)</u> | <u>(7,433)</u> |

Liabilities towards credit institutions are secured through a storage chattel mortgage of the central warehouse and a blanket assignment agreement.

Supply relationships are shown under liabilities towards affiliated companies.

IV. Information about the Profit and Loss Account

Revenues

Sales revenues i.H.v. TEUR 84,824 are broken down by activity as well as geographically determined markets as follows:

Breakdown by activity:

| | <u>2017/18</u> | <u>2016/17</u> |
|-----------|----------------|----------------|
| | KEUR | KEUR |
| Tyres | 70.425 | 80.421 |
| Rims | 10.879 | 10.440 |
| Equipment | 1.774 | 1.281 |
| Others | 1.746 | 1.142 |
| | <u>84.824</u> | <u>93.284</u> |

Breakdown by geographical area markets

| | <u>2017/18</u> | <u>2016/17</u> |
|----------------------|----------------|----------------|
| | KEUR | KEUR |
| Germany | 79.261 | 82.703 |
| EU (without Germany) | 5.562 | 10.560 |
| Other Europe | 1 | 1 |
| | <u>84.824</u> | <u>93.284</u> |

Out-of-period Income and Expenses

Out-of-period income amounting to TEUR 18 (previous year: TEUR 5) are included in the other operating income, and out-of-period expenses amounting to TEUR 26 (previous year: TEUR 52) are included in the other operational expenses. These are mainly credits from gas bills or expenses from accounting of service charges

Taxes on Income and Profit

The trade tax is calculated in the amount of von 24,500.00 EUR in consideration of the allowance according to §11 paragraph 1 GewStG.

Price Gains and Losses

Income from exchange differences amounting to TEUR 84 (previous year: TEUR 43) are included in the other operational income, and expenses from exchange differences amounting to TEUR 6 (previous year: TEUR 135) are included in other operational expenses.

V. Other InformationOther Financial Obligations

There are other financial obligations due to rental and leasing contracts that are not shown in the Balance Sheet.

| | Total | Maturity | | |
|------------------------|----------|----------|-------------|-----------|
| | | < 1 year | 1 - 5 years | > 5 years |
| | TEUR | TEUR | TEUR | TEUR |
| Rental contracts | 9,605 | 1,955 | 7,344 | 306 |
| (in the previous year) | (14,424) | (3,163) | (8,643) | (2,618) |
| Leasing contracts | 820 | 452 | 362 | 6 |
| (in the previous year) | (1,301) | (614) | (687) | (0) |

There are letters of credit and surety agreements with the house bank. The usage amounts to a total of TEUR 200 (previous year: TEUR 1,143) on the balance sheet date.

Financial Instruments

On the balance sheet day there were forward exchange transactions to secure the purchasing contracts in USD amounting to USD 800 (previous year: TUSD 1,000). The fair value is not determinable as no tradable transactions exist.

Information about the Employees

In the fiscal year an average of 44 employees were employed (previous year: 40). They consist of the following:

| | <u>2017</u> | <u>2018</u> |
|----------------------|-------------|-------------|
| | number | number |
| Employees | 11 | 12 |
| Industrial employees | 29 | 32 |
| | <u>40</u> | <u>44</u> |

Personally Liable Shareholders

| <u>Name</u> | <u>Seat</u> | <u>Subscribed capital</u> | |
|----------------|-------------|---------------------------|-------|
| reifencom GmbH | Bielefeld | TEUR | 750 |
| reifencom GmbH | Hanover | TEUR | 1,536 |

Information about the Executive Managers

The executive managers are:

- Mr Heiko Knigge (Merchant), Bielefeld, Mr Ralf Strelen (Diplom-Merchant FH), Isernhagen, since November 27th, 2017, Mr Mathias Heimann (CEO of Apollo Vredestein B.V.), Enschede/Niederlande, until November 26th, 2017 and Mr Marco Paracciani (Chief Retail & Marketing Officer of Apollo Tyres UK Pvt Ltd), London/ Great Britain since November 27th, 2017.

Executive manager through the position executive manager with the right of sole representation of the company reifencom GmbH, Bielefeld

- Mr Olaf Sockel (Merchant), Ronnenberg, Mr Michael Härle (Merchant), Hanover, Mr Mathias Heimann (CEO of Apollo Vredestein B.V.), Enschede/Niederlande, until November 26th, 2017 and Mr Marco Paracciani (Chief Retail & Marketing Officer of Apollo Tyres UK Pvt Ltd), London/ Great Britain since November 27th, 2017.

Executive manager through the position executive manager with the right of sole representation of the company reifencom GmbH, Hanover

Salaries, Loans, Advances

The executive managers have not gotten any salaries, loans or advances.

Consolidated Companies

reifencom Einkaufsgesellschaft mbH & Co. OHG is a group company of Apollo Tyres Ltd., India, that is also the topmost parent company and that prepares the financial statement for the largest consolidated companies. The smallest circle of group companies is set up by reifencom GmbH, Bielefeld, as an indirect parent company of the reporting company. The consolidated financial statement is disclosed in the Federal Gazette.

Audit Fee

The total fee charged by the auditors for the 2017/18 financial year amounts to TEUR 14 for audit services.

Appropriation of Earnings

For the appropriation of earnings, the management board will submit the decision to set the profit shares of the shareholders amounting to Euro 23,587.25 (reifencom GmbH, Hanover) and Euro 23,587.25 (reifencom GmbH, Bielefeld) each to the fixed assets of the shareholders.

Supplementary Report

After the end of the fiscal year as of March 31st, 2018 no events of specific importance are scheduled.

Hanover, April 27th, 2018

reifencom Einkaufsgesellschaft mbH & Co. OHG,
represented by the executive managers

.....
Executive manager Heiko Knigge

.....
Executive manager Olaf Sockel

.....
Executive manager Ralf Strelen

.....
Executive manager Michael Härle

.....
Executive manager Marco Paracciani

reifencom Einkaufsgesellschaft mbH & Co. OHG
Südfeldstraße 16, 30453 Hanover
Situation Report for the Fiscal Year 2017/18

A. Foundations of the Company

The business area of reifencom Einkaufsgesellschaft mbH & Co. OHG (hereafter OHG) is the logistics service as well as the central purchase of tyres and rims for both partners reifencom GmbH, Bielefeld, and reifencom GmbH, Hanover, (hereafter reifencom group or reifencom). The OHG has a central warehouse in Hildesheim.

Reifencom does not operate in research and development.

B. Economic Report

1. Macroeconomic General Conditions

In the German area the economy was able to continue boosting. According to the German Federal Statistical Office (Statistisches Bundesamt), the Gross Domestic Product (GDP) increased by 2.5 % due to price in 2017. In its economic forecast, the Council of Experts expects an annual growth rate of the GDP of 2.3 % in 2018 and 1.8 % in 2019. Overall, consumption expenditure of the state with an increase of 1.7 % compared to the previous year has contributed to the economic boom in 2017. Private consumption in Germany has undergone a growth by 1.9 % in 2017 compared to the previous year.

The good starting position of the macroeconomic general conditions has also contributed to the unemployment rate being below the European average with 5.8 %.

2. Development of the Industry

The development of the tyre replacement business in Germany as an essential business market of the reifencom group is mainly influenced by the development of the vehicle stock. The vehicle stock increased by 1.8 % to a total of 63.7 million vehicles in the reference period.

| In million pieces | Passenger cars | Light trucks | Motorcycles | Others | Total |
|-------------------|----------------|--------------|-------------|--------|-------|
| 2018 | 46.5 | 3.0 | 4.4 | 9.8 | 63.7 |
| 2017 | 45.8 | 2.9 | 4.3 | 9.6 | 62.6 |

Source: German Federal Motor Transport Authority (Kraftfahrtbundesamt) (Vehicle stock as of January 1st, 2018)

In the passenger car segment the sales figures increased by 1.5 % to 46.5 million vehicles. This increase can mainly be traced back to the increase of SUVs.

Due to the increase of the vehicle stock described above, the total turnover of replacement tyres showed a slight increase in sales by 0.5 % to 55.1 million tyres in the fiscal year 2017 according to the German Tyre Retail and Vulcanization Trade Association (Bundesverband Reifenhandel und Vulkaniseur-Handwerk, BRV e.V., Bonn).

In reifencom's main sales segment of passenger car tyres, there was a slight increase of the sales figures from 46.9 million to 47.1 million pieces. The tyre replacement business stabilized in Germany last year. Thereby the turnover was about 0.4 % higher than in the previous year. The tyre sales in the B2C area has stabilized on a high level in the third year in a row.

The market for tyres in the commercial vehicle sector for light trucks could stand up against the positive trend. The turnover of light truck tyres increased by 5.8% to 3.8 million in 2017 (2016: 3.6 million).

The BRV forecasts a total positive development of 0.8 % in the tyre replacement business for passenger car tyres in 2018. This is mainly due to the product group all-season tyres with an increase of 12.5 % as the willingness to change from summer to winter tyres and vice versa decreases. For passenger car summer tyres and winter tyres a decrease of 0.6 % or 2.1 % is expected.

3. Business Development

Sales and Order Development

In the reporting year the gross profit of OHG was 10,628 TEUR (previous year: 10,209 TEUR). Through a close link of the OHG to its partners, the sales volume is strongly dependent on sales expectations and shows these with a certain lead time. Increased discount drawing as well as bonus credits have a positive effect on the gross profit margin.

Sales revenues i.H.v. TEUR 84,824 are broken down by activity as well as geographically determined markets as follows:

Breakdown by activity:

| | <u>2017/18</u> | <u>2016/17</u> |
|-----------|----------------|----------------|
| | KEUR | KEUR |
| Tyres | 70.425 | 80.421 |
| Rims | 10.879 | 10.440 |
| Equipment | 1.774 | 1.281 |
| Others | 1.746 | 1.142 |
| | <u>84.824</u> | <u>93.284</u> |

Breakdown by geographical area markets:

| | <u>2017/18</u> | <u>2016/17</u> |
|----------------------|----------------|----------------|
| | KEUR | KEUR |
| Germany | 79.261 | 82.703 |
| EU (without Germany) | 5.562 | 10.560 |
| Other Europe | 1 | 1 |
| | <u>84.824</u> | <u>93.284</u> |

Procurement

The summarized purchasing volume of reifencom group amounts to ca. 120 million EUR annually. Through this it is possible to exercise greater market power towards major suppliers as well as in the tyre industry. Hereby the trend to sort the suppliers more according to the aspects delivery behaviour, complaints processing, order acceptance and accounting has increased.

Investments

In the reporting year investments in the fixed assets with a volume of 350 TEUR (2016/17: 265 TEUR) were recorded. These mainly concerned the development of IT software and technical equipment.

Financing

The capital share of the fixed capital of the personally liable shareholders amounts to a total of 1,669 TEUR (2016/17: 1,622 TEUR). The change is due to the deposit of the profit shares by the shareholders.

Further financing is made via supplier credits. Bank credits are partly made use of during the year.

Personnel and Social Area

The company employed an average of 44 employees and thereby is thereby above the previous year's level.

Profit Situation

| | 2015 | 2016 | 2016/17 | 2017/18 |
|------------------------------|--------------|--------------|---------------|---------------|
| | <u>TEUR</u> | <u>TEUR</u> | <u>TEUR</u> | <u>TEUR</u> |
| Gross profit | 7,780 | 2,301 | 10,209 | 10,628 |
| Operating expense | -7,572 | -2,082 | -9,961 | -10,347 |
| Operating result | 208 | 219 | 248 | 281 |
| Financial result | -149 | -51 | -140 | -150 |
| Balanced return | -73 | 45 | -6 | -8 |
| Earnings before taxes | -14 | 213 | 102 | 123 |
| Taxes | -55 | -42 | -78 | -76 |
| Annual result | -69 | 171 | 24 | 47 |

With the result of the ordinary business activity of 47 TEUR, the profit situation is positive.

The expenditure situation is mainly marked by the cost of sales and rent expenses.

Financial Situation

| | <u>2016/17</u> | <u>2017/18</u> |
|--|----------------|----------------|
| | TEUR | TEUR |
| Cash flow from current business operations | 4,754 | -4,727 |
| Cash flow from investment activity | -248 | -341 |
| Cash flow from financing activity | -3,641 | 4,624 |
| Financial resources at the end of the period | <u>1,261</u> | <u>817</u> |

The decrease of the cash flow from current business operation is especially due to the decline of amounts owed to associated companies.

The cash flow from investment activity was mainly influenced by investments into fixed assets.

The positive cash flow from financing activity includes the increase in bank liabilities for short-term credit lines.

Financing is mainly guaranteed by supplier credits. Some of the suppliers have retentions of title. The supplier lines of credit provided are only partly used.

The house bank provides letter of credit lines for the processing of international business to a sufficient scale.

Financial Situation

| | <u>31.12.2015</u> | | <u>31.03.2016</u> | | <u>31.03.2017</u> | | <u>31.03.2018</u> | |
|-------------------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|
| | TEUR | % | TEUR | % | TEUR | % | TEUR | % |
| Long-term assets | 1,050 | 3.5 | 1,026 | 2.5 | 1,064 | 2.7 | 1,163 | 3.1 |
| Medium- and short-term assets | 28,983 | 96.5 | 40,141 | 97.5 | 38,824 | 97.3 | 36,477 | 96.9 |
| Total assets | <u>30,033</u> | <u>100</u> | <u>41,167</u> | <u>100</u> | <u>39,888</u> | <u>100</u> | <u>37,640</u> | <u>100</u> |
| Equity | 1,426 | 4.7 | 1,597 | 3.9 | 1,622 | 4.1 | 1,669 | 4.4 |
| Short-term loan capital | 28,607 | 95.3 | 39,570 | 96.1 | 38,266 | 95.9 | 35,971 | 95.6 |
| Total capital | <u>30,033</u> | <u>100</u> | <u>41,167</u> | <u>100</u> | <u>39,888</u> | <u>100</u> | <u>37,640</u> | <u>100</u> |

The asset side of the Balance Sheet amounting to TEUR 37,640 mainly consists of tyre and rim supplies amounting to TEUR 16,739 (44.5 %) as well as accounts receivable trade towards the partners amounting to TEUR 15,146 (40.2 %).

The intrinsic value of the assets, especially of the tyre and rim supplies, is given as the storage period of the supplies and the amount of slow-moving products have decreased due to an optimized purchasing policy as well as refined EDP controlling instruments. For the winter goods a right of valuation for the next winter season by one year existed to a large extend.

The medium- and short-term loan capital mainly consists of liabilities towards credit institutes amounting to TEUR 12,212, accounts payable trade of TEUR 17,378 as well as amounts owed to affiliated companies of TEUR 5.992.

The equity ratio increased due to the deposit of profit shares of the shareholders for the annual result 2017/2018.

C. Supplementary Report

There have not been any especially important processes at the end of the fiscal year 2018.

D. Forecast, Chances and Risk Report

1. Forecast Report

The forecast resulting from the economic situation does not only represent the risks but rather the chances for the OHG. We are positioned as a discount tyre warehouse with inexpensive brand tyres. This sales argument of low prices with a good service has led the OHG to develop more positively than the majority of the competitors in this area in the previous years already. Tyre purchasers will continue to look for cost-effective offers at a good service and will also find it due to the current transparency in the internet.

We continue to look ahead optimistically. For the fiscal year 2018/19 we will improve in-house processes, especially in the cooperation with the partner. Hereby business processes are tested and improved to enforce sustained efficiency improvements and cost reductions.

The Federal Association of Tire Trade and Vulcaniseur Handwerk (BRV) predicts only slight growth rates over the entire consumer market in the sell-out (trade to consumers) of 0.9% for the year 2018. While for the replacement business in 2018 negative sales trends for winter tires - 1.9% and for summer tires - 0.5% are expected, the all-season tire segment benefits +12.9% from further increased demand.

However, the past has shown that a forecast is very difficult and associated with major uncertainty due to weather-dependency, especially in the winter tyre business, and the unclear economic development.

For the fiscal year 2018/19 we expect increased purchase prices as well as increased sales revenues for our distributed products. The forecasted turnover is about Mio. EUR 82. Furthermore, the medium-term goal is to increase the annual result in comparison to the previous year. Due to the weather-dependency of the tyre branch, especially in the winter business, a forecast is naturally difficult.

2 Chances and Risk Report

Consumer Climate

After an increase of private consumer spending in Germany of 1.9% in 2017 the Council of Experts expects an increase of 1.8% for 2018.

The future development of the OHG corresponds to the situation of the partners, who serve the end customer.

The shareholders will – like in the past - counter declines in sales from changed consumer climate or decreasing selling prices with branch optimizations and the acceleration of the internet business as well as with cost reductions. The OHG can contribute to the optimization of the stock situation in the branches with the central warehouse so that almost a 100 percent availability of the goods required from the customer is guaranteed. That way a possibly expected buying restraint of the consumers should be compensated.

Against the background of changes of the Road Traffic Act (StVO) regarding adequate tyres of motor vehicles in the winter months and the tendency of the customer to mostly be interested in cheaper offers, an adjustment to the changing market situation is optimally possibly through the lean structures of the company. Through the increasing trade in the internet further new customers can also be won.

Price Development for Raw Materials

Changes in the raw material prices affect the finished product prices with a deceleration of approximately 6 months. Next to metal, important raw materials for the tyre production are also oil-based raw materials and natural rubber. Due to the increasing raw material costs in 2017, increasing purchase prices can also be expected for 2018.

A portion of the goods procured outside of the Euro-zone is billed in US dollar or English pound.

Short-term currency fluctuations are secured with suitable financial instruments through OHG so that no recognizable risks are given.

In case of foreign exchange loss of the euro compared to the USD, the price of imports from this currency area would increase for the OHG.

To be able to react to price changes of the tyre manufacturers, we observe the price development and align our purchasing policy accordingly.

Procurement of Goods

The OHG contributes to curbing the risk of a strong seasonal dependency of the branch and the storage of imported goods. This way the seasonal customer needs can be met without increasing the inventories in the reifencom group branches significantly. At the same time the purchasing volume makes it possible to use greater market power towards suppliers as well as the tyre industry.

The good availability of goods compared to the competitors improves the trade margin of the reifencom group for scarce products on the market. Should prices decrease during the year, this is at the expense of the margin and should be rated as a risk. The OHG minimizes the risk through a mixture of stock goods on the one hand and goods that are procured order-related on the other hand.

The OHG operates independently from the manufacturer and has a broad brand portfolio. In case of a failure of one of the manufacturers, we can procure the goods from a different supplier.

Seasonal Fluctuations

The OHG operates a business that is the strongly dependent on the season so that especially the 3rd quarter is strongly weather-dependent. The snowy winter 2012 in the whole of Germany should have raised drivers' awareness of necessary roadworthy tyres especially in the winter. The rather mild winters of the last years have worked against this however.

Replacement Tyre Business

Currently the average mileage of a passenger car in Germany is about 14,000 km per year. The tyres have an expected durability of about 60,000 km. Corresponding to that, the replacement cycle is about 4-5 years. As a reaction to the increase of the fuel prices on the one hand and the uncertainty of the economic situation on the other hand, drivers will continue to limit their driving. Due to the mileage that has decreased yearly for all passenger cars (2006 it was 16,200 km per year), the replacement cycle for new tyres should continue to increase.

Due to the ongoing great importance of the car in Germany as well as a high need for security by the consumer, a complete rejection of new tyre purchase cannot be expected. The OHG should be positioned best due to its price structure.

The average age of the passenger car has increased from 6.8 years in 1995 to 9.4 years. It can be expected that the average age will continue to increase. This should also have a positive effect on the sales development of reifencom GmbH.

Price Development of Trade Items

Due to the predatory competition within the tyre sector it remains to be seen in how far higher prices can be enforced towards the private end consumer on the market. On the one hand higher prices may decrease the propensity to consume more but on the other hand lower margins have a negative effect on the trade margin. The OHG continues to keep the overall offer of goods in mind during the purchase and reacts to this with risk considerations in the warehousing and pricing policy.

Since 01.11.2012 traders have had to label tyres with the new EU tyre label. This informs about the rolling resistance, the wet grip and the noise emission. In the winter tyre business the label will continue to play a subordinate role at the sale as other product properties are more important for winter tyres. It is however possible that the sale of summer tyres with a good label could increase due to the indication given.

Liquidity

Due to the profit situation in the previous year as well as the restraint of the distribution, the liquidity situation was good in the expired fiscal year despite the investment activity. At the same time reductions of sales can seasonally lead to reductions of liquidity. Intensive contacts to financial service providers are maintained as countermeasures. All in all more than TEUR 13,000 credit lines are available from house bank and suppliers. Only a partial amount of these credit lines have been used.

Nevertheless to avoid liquidity shortfalls high value is paid to the creation of liquidity through realization of profits, which is shown through an increased focus on the gross profit performance on the one hand and a strict cost management on the other hand.

Competition

The OHG is a very specialized supplier on a polypoly market with relatively low barriers to entry.

Further there is an increased market transparency due to the internet. The OHG, together with reifencom GmbH, Hanover, and reifencom GmbH in Bielefeld rises to this challenge. We can clearly influence the market with the web presence www.reifen.com.

Value Chain

The OHG, together with reifencom GmbH, Hanover, and reifencom GmbH in Bielefeld, concentrates on the trade with an on-site service. Customers can purchase goods here and also let them mount upon request.

We have largely automated business processes due to a software structure that fits the business.

Customer Satisfaction

High customer dissatisfaction can lead to a decline in sales and the loss of market shares fast. The OHG has introduced revision processes to ensure equally high quality in the branches. Due to regular schoolings of commercial and industrial employees and due to the monitoring of customer orders we want to keep our high service level and continue to expand it.

Staff

The motivation of our staff and the commitment to identify with reifen.com are the basis for success.

Risk Thinking

Risk potentials can be recognized in good time through the integrated and well-developed merchandise management system and management system. Therefore we are able to take immediate countermeasures in case of identified risks. These implemented systems have stood the test and are continuously enlarged and further developed.

Currently there are no individual risks known that could endanger the stock of the OHG. The number of possible and known risks does not pose a risk to the continued existence of the company.

Hanover, April 27th, 2018

reifencom Einkaufsgesellschaft GmbH & Co. OHG,
represented by the executive managers

.....
Executive manager Heiko Knigge

.....
Executive manager Olaf Sockel

.....
Executive manager Ralf Strelen

.....
Executive manager Michael Härle

.....
Executive manager Marco Paracciani

Auditor's Report

We have audited the annual financial statements – comprising the balance sheet, the profit and loss account and the notes to the annual financial statements – together with the bookkeeping system and the management report of reifencom Einkaufsgesellschaft mbH & Co. OHG, Hannover, for the financial year from 1 April 2017 to 31 March 2018. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the company's management. 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 annual financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the 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 effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a sample basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, 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 of reifencom Einkaufsgesellschaft mbH & Co. OHG, Hannover, for the financial year from 1 April 2017 to 31 March 2018 comply with legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with legal requirements, as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development."

Frankfurt am Main, April 27, 2018

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Robert Binder
German Public Auditor

Maximilian Meyer zu Schwabedissen
German Public Auditor

reifencom Einkaufsgesellschaft mbH & Co. OHG, Hannover**Corporate, legal and tax situation**

| | |
|-------------------------|---|
| Company: | reifencom Einkaufsgesellschaft mbH & Co. OHG |
| Location: | Hannover |
| Founding: | 1. Januar 2003 |
| Legal form: | Limited Liability Company & Compagnie Limited Partnership |
| Company Agreement: | The Company Agreement of July 7, 2011 is applicable. |
| Commercial register: | Amtsgericht Hannover, HRA 26897 The last entry dated March 1, 2012. |
| Subject of the company: | The logistics service as well as the central purchasing of tires and rims for the two partners reifencom GmbH, Bielefeld, and reifencom GmbH, Hanover. The OHG operates a central warehouse in Hildesheim |
| Shareholders equity: | EUR 1.668.743,74 |
| Business year: | 1. April 2017 bis 31. March |
| Shareholder: | reifencom GmbH, Bielefeld (50%) reifencom GmbH, Hannover (50%) |
| Subsidiary / investment | reifencom Tyre (Qingdao) Co. Ltd., Room 306D, Qingdao International News Center, No. 50 Xiang GangZhong Lu, Shi Nan Qu, Qingdao, Shandong |
| | registered capital: EUR 24.700,00 |

Management and representation:

For the management and representation, every shareholder represented by the respective managing director or authorized representative wish is solely justified and committed.

Managing directors are:

- Mr. Heiko Knigge (Kaufmann), Bielefeld,
- Mr. Ralf Strelen (Diplom-Kaufmann FH), Isernhagen, since 27 November 2017,
- Mr. Mathias Heimann (CEO der Apollo Vredestein B.V.), Enschede/Netherland, until 26 November 2017
- Mr. Marco Paracciani (Chief Retail & Marketing Officer of Apollo Tyres UK Pvt Ltd), London/ Great Britain since 27 November 2017.
- Mr. Olaf Sockel (Kaufmann), Hannover,
- Mr. Michael Härle (Kaufmann), Hannover,

Measures that go beyond the normal scope of the business operation may only be undertaken jointly by both directors

Shareholders' meeting and previous year's financial statements

On May 22, 2017, a general shareholders' meeting took place, in which the annual financial statements as at 31 March 2017 were established and the management was granted discharge for the year 2016/2017.

The annual net profit of € 24,143.85 was allocated to the shareholders' equity per share based of the shares in the company.

Warth & Klein Grant Thornton AG will be appointed as the auditor for fiscal year 2017/2018.

Company Size:

The company is a large-size corporation within the meaning of section 267 (2) and section 4 HGB (German Commercial Code) and is subject to the obligation to audit pursuant to section 316 (1) HGB.

Important contracts:

Rental agreement for the central warehouse in Hildesheim with the Eurovia project Hildesheim GmbH & Co. KG:

The lease was concluded for 10 years from 1 July 2013. The tenancy is extended by one year, if it is not terminated with a notice period of twelve months before the end of the fixed term or the respective extension period. The landlord grants reifencom Einkaufsgesellschaft mbH & Co. OHG a two-fold option right to extend the rental period by 5 years. The option must be communicated in writing to the lessor twelve months before the end of the fixed-term rental period or the respective option period.

Sale-and-Lease-Back-contracts for conveyor and packaging units and pallet cage

Taxation:

Local tax office: Hannover-Süd

Tax number: 26/221/19105