

reifencom GmbH, Bielefeld

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 GmbH, Bielefeld,

(hereinafter also referred to as „reifencom Bielefeld“ 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.

In addition to the audit of the annual financial statements and the management report pursuant to section 318 paragraph 2 HGB we have also been assigned to audit the consolidated financial statements and the group management report for the financial year ended 31 March 2018. Regarding this audit we have prepared a separate audit report.

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

2.1. 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 tire segment, which is the main segment for reifencom, there was a slight increase in sales volumes from 46.9 million to 47.1 million units. 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. Business Situation:** Due to shifts in the summer tire season, the positive business development of recent years could not continue. Gross profit (defined as revenue less cost of materials) decreased by KEUR 275 to KEUR 13,392 for the 2017/2018 financial year. The goal of generating a positive annual result was still achievable.
- 3. Earnings position:** The gross profit amounts to TEUR 13,392. Gross profit fell by 2.0% in the financial year compared to the 2016/17 financial year due to higher procurement costs. The decrease in operating expenses (personnel expenses, depreciation on fixed assets, other operating expenses less other operating income and other taxes) by EUR 60 thousand to EUR 13,199 thousand is mainly due to the decline in other operating expenses due to the increase in personnel expenses partially compensated.
- 4. Financial situation:** Long-term assets consist primarily of property, plant and equipment (kEUR 2,534) and financial assets (kEUR 2,384). The long-term liabilities include two bank loans for the financing of acquired real estate. In addition, the loan in the medium and short-term debt of € 2.6 million is to be taken into account against reifencom GmbH, Hanover.
- 5. Financial position:** The decline in cash flow from operating activities is due in particular to the increase in inventory. Cash flow from investing activities was mainly influenced by investments in fixed assets. The negative cash flow from financing activities includes the decrease in bank liabilities for the financing of the acquired properties as well as the repayment of the subsidiary's loan.

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:** The purchasing company contributes to the damping of the risk of a strong seasonal dependency of the industry and the storage of imported goods. Seasonal customer requirements can thus be covered without any significant increase in inventories in the branches of reifencom GmbH.
- 2. Opportunities:** The average age of cars has grown from 6.8 years to 9.4 years since 1995. It can be assumed that the average age will continue to rise. This should have a positive impact on the sales performance of reifencom GmbH.
- 3. Risks:** It is likely to be seen in the competition to the extent that higher prices can be achieved in the market for private end-users. reifencom GmbH continues to take account of the total supply of goods in purchasing and reacts accordingly to risk assessments in the stock and price policy.
- 4. Risks:** reifencom GmbH operates in a highly seasonal business, which is strongly dependent on the weather in the third quarter of the financial year.
- 5. Forecast:** For the fiscal year 2018/19, the company expects rising single-ticket prices as well as rising revenues. The projected sales are around EUR 40 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 GmbH Bielefeld:



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 GmbH, Bielefeld, 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 GmbH 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 GmbH, Bielefeld, 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 GmbH, 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 GmbH – 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. As medium-sized corporation according to section 267 paragraph 1 HGB the company made use of the relevant size-dependent preparation facilitations.

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 medium-sized limited liability companies taking into account the relevant size-dependent preparation facilitations 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.

On January 13 and January 20, 2018, the Company carried out annual inventory counts in the branches, on which we have participated in some branches.

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.

We only received settlement confirmations for the receivables recorded in the balance sheet at the balance sheet date for major customers and smaller workshops. We have not received any balance sheet confirmations for the receivables from individuals registered on the balance sheet date in the balance sheet date because, according to the way in which the receivables were recorded, administered and settled, they could be reliably demonstrated in other ways.

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.

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

We 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 reifencom Bielefeld 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.

The company made use of the relevant size-dependent preparation facilitations for medium -sized corporations according to sections 288, 276 and 274a HGB.

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.

According to section 286 paragraph 4 HGB the company did not disclose the remuneration of the governing bodies pursuant to section 285 no. 9 characters a) and b) HGB. We confirm that the legal requirements for making use of the protection clause have been fulfilled.

5.1.3. Management report

In our opinion, based on the knowledge obtained in our audit, the management report of reifencom Bielefeld 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 reifencom Bielefeld, 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		37.338	100,0	37.330	100,0	8
Total operating performance		37.338	100,0	37.330	100,0	8
Material expenses		-23.946	-64,1	-23.663	-63,4	-283
Gross profit	1	13.392	35,9	13.667	36,6	-275
Other operating income		196	0,5	114	0,3	82
Personell expenses	2	-6.491	-17,4	-6.272	-16,8	-219
Depreciations		-474	-1,3	-495	-1,3	21
Other operating expenses (inclusive other taxes)	3	-6.430	-17,2	-6.606	-17,7	176
EBIT		193	0,5	408	1,1	-215
Income from subsidiaries		24	0,1	12	0,0	12
Financial income		17	0,0	5	0,0	12
Financial expense		-163	-0,4	-156	-0,4	-7
Financial result		-122	-0,3	-139	-0,4	17
Earnings before income taxes		71	0,2	269	0,7	-198
Income taxes		-31	-0,1	-112	-0,3	81
Year-end result		40	0,1	157	0,4	-117

to No. 1

The decline in gross profit by around 2.0% to € 13,392 thousand is almost exclusively due to the increase in the cost of materials due to higher purchase prices.

to No. 2

Personnel expenses increased by € 219 thousand in 2017/2018. This is mainly due to the increase in employee numbers in the branches.

to No. 3

Other operating expenses fell by € 176 thousand. This development essentially results from lower expenses for temporary workers. This contrasts with the higher personnel expenses from permanent posts.

Financial situation

	see Nr.	2018		2017		Change K€
		K€	%	K€	%	
Intangible assets		102	1,1%	119	1,3%	-17
Property, plant and equipment		2.534	28,3%	2.591	29,3%	-57
Financial investments		2.384	26,6%	2.360	26,7%	24
Long-term other assets		28	0,3%	29	0,3%	-1
Active difference resulting from asset offsetting	1	0	0,0%	69	0,8%	-69
Long-term assets		5.048	56,4%	5.168	58,5%	-120
Inventory	2	2.306	25,8%	2.015	22,8%	291
Accounts receivables		168	1,9%	223	2,5%	-55
Receivables from affiliated companies	3	0	0,0%	3	0,0%	-3
Other assets	4	401	4,5%	174	2,0%	227
Cash and cash equivalents		591	6,6%	726	8,2%	-135
Deferred expenses		125	1,4%	181	2,0%	-56
Deferred taxes		318	3,6%	339	3,8%	-21
Short-term and medium-term assets		3.909	43,6%	3.661	41,5%	248
Total Assets		8.957	100,0%	8.829	100,0%	128

to No. 1

The decrease in the balance of the asset offset is due to the higher pension provision compared to the value of the reinsurance policy, which grows less than the pension obligation. As a result, a pension provision will be recognized again from the 2017/2018 financial year.

to No. 2

The increase in inventories is due to seasonal business. Finished goods increased by EUR 300 thousand compared to the previous year.

to No. 3

Receivables from affiliated companies fell by EUR 208 thousand. This development results from the change in the presentation of the receivable to the reifencom Einkaufsgesellschaft, which in 2017/2018 is a liability on balance.

to No. 4

Other assets increased by EUR 227 thousand compared to the previous year. The increase results exclusively from the higher tax receivable from value added tax compared to the previous year in the amount of 355 TEUR.

	vgl. Nr.	2018		2017		Change
		T€	%	T€	%	T€
Shareholder's equity		750	8,4%	750	8,5%	0
Retained earnings		16	0,2%	16	0,2%	0
Profit and loss brought forward		1.559	17,4%	1.402	15,9%	157
Annual result		40	0,4%	157	1,8%	-117
Equity on the balance sheet		2.365	26,4%	2.325	26,3%	40
Pension accruals	1	58	0,6%	0	0,0%	58
Other accruals		97	1,1%	90	1,0%	7
Liabilities to credit institutions		61	0,7%	104	1,2%	-43
Non-current liabilities		216	2,4%	194	2,2%	22
Long-term capital		2.581	28,8%	2.519	28,5%	62
Other accruals		358	4,0%	358	4,1%	0
Liabilities to credit institutions		344	3,8%	402	4,6%	-58
Advance payments received on orders		63	0,7%	81	0,9%	-18
Trade accounts payable	5	701	7,8%	1.293	14,6%	-592
Liabilities to affiliated companies	6	4.803	53,6%	4.045	45,8%	758
Other liabilities		108	1,2%	129	1,5%	-21
Deferred income		0	0,0%	2	0,0%	-2
Short-term and medium-term capital		6.376	71,2%	6.310	71,5%	66
Total capital		8.957	100,0%	8.829	100,0%	128

to No. 5

Trade payables fell by EUR 592 thousand as of the reporting date.

to No. 6

Liabilities due to affiliated companies increased due to higher liabilities to the reifencom Einkaufsgesellschaft (EUR +1 million), which were offset by lower liabilities against the reifencom Hannover (EUR -400 thousand).

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:

	see Nr.	2018 k€	2017 k€	Change k€
Profit for the year		40	157	-117
+/- Depreciation on fixed assets		474	495	-21
+/- Decrease / increase in provisions		65	-6	71
Increase / decrease in inventories, trade receivables and other assets not attributable to				
-/+ investing or financing activities		-333	536	-869
Increase / decrease in trade payables and other liabilities not attributable to investing or financing				
+/- activities		124	-606	730
-/+ Profit / loss from the disposal of fixed assets		-33	-3	-30
+/- financial result		122	138	-16
+/- Income tax expense		-31	-112	81
-/+ Income tax payments		52	112	-60
Cash inflow / outflow from operating = activities		479	711	-233
- Payments for investments in intangible assets		-20	-32	12
+ Payments for the disposal of fixed assets		57	34	23
Payments for investments in property, plant and				
- equipment		-404	-248	-156
- Payments for investments in financial assets		-24	-12	-12
+ Interest received		17	6	11
+ Dividends received		24	12	12
= Cash flow from investing activities		-350	-240	-110
Disbursements from the repayment of bonds and				
- loans		-101	-110	9
- Interest paid		-163	-156	-7
= Cash flow from financing activities		-264	-266	2
Changes in cash and cash equivalents		-135	205	-340
Cash and cash equivalents at the beginning of				
+ the period		726	521	205
Cash and cash equivalents at the end of the = period		591	726	-135

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 GmbH, Bielefeld, 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 GmbH
Bielefeld

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		37.337.659,94		37.330
2. Other operating income		196.229,80		114
3. Cost of materials				
a) Costs for raw materials, consumables and supplies and of purchased merchandise	-23.907.857,28		-23.634	
b) Cost of purchased services	-37.733,10		-29	
		-23.945.590,38		-23.663
4. Personnel costs				
a) Wages and salaries	-5.418.306,76		-5134	
b) Social security contributions and expenses for pensions schemes and support	-1.072.871,22		-1138	
- thereof for pensions: EUR 48.377,60 (prior year kEUR 170)		-6.491.177,98		-6.272
5. Depreciation of property, plant and equipment		-473.930,96		-495
6. Other operating expenses		-6.420.002,75		-6.596
7. Income from investments		23.587,25		12
- thereof from affiliated companies EUR 23.587,25 (prior year kEUR 12)				
8. Other interest and similar income		17.423,60		5
9. Other interest and similar expenses		-162.745,51		-156
- thereof from affiliated companies EUR 57.316,67 (prior year kEUR 60)				
- thereof from discounting EUR 87.661,58 (prior year kEUR 89)				
10. Taxes on income and profit		-31.323,63		-112
11. Result after taxes		50.129,38		167
12. Other taxes		-10.023,90		-10
13. Annual net profit		40.105,48		157

reifencom GmbH
Am Stadtholz 24 - 26, 33609 Bielefeld
Annex as of March 31st, 2018

I. General Data

The annual financial statement as of March 31st, 2018 of reifencom GmbH, Bielefeld, registered at the local court Bielefeld under HRB 34411, (hereafter: reifencom Bielefeld) has been made in EUR according to the provisions of §§ 264 ff. of the Handelsgesetzbuch (German Commercial Code, short HGB) in the version of the Bilanzrichtlinie-Umsetzungsgesetz (German Accounts Directive Implementation Act, short BilRUG) and according to the law regarding the Gesellschaften mit beschränkter Haftung (private limited companies, short GmbHG).

The company is a sized stock corporation according to § 267 paragraph 2 HGB. It partly made use of the size-related simplifications for medium-sized stock cooperation when preparing the annual financial statement.

The annual financial statement was made on the basis of the legal provisions.
The prior-year figures are given in brackets in TEUR.

II. Information about the Accounting and Valuation Methods

Fixed Assets

The intangible assets and the property are valued according to their acquisition costs minus scheduled usage-based amortizations.

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 been applied:

	Usage period in years	Depreciation rate in %	Depreciation method
intangible assets	3-5	20-33.33	linear
buildings on third-party property	4-36	4-25	linear
technical facilities and machines	2-10	10-50	linear
other facilities, business or company equipment	1-15	6.67-100	linear

Low-value assets had been collected as compound items and written off linear over a useful life of 5 years up to December 31st, 2012. The low-value assets with acquisition/production costs of more than EUR 150.00 to EUR 410.00 acquired in the fiscal year 2017/18 are completely written off in the year of the acquisition.

The outflow is written off with the residual book value determined at the time of the removal from the fixed assets.

The financial assets have been considered as acquisition costs minus extraordinary depreciations at a probably permanent impairment.

For the development of fixed assets of reifencom in the fiscal year 2017/18, reference is made to the Assets Analysis on page 5 of Annex 3.

Current Assets

The valuation of raw, auxiliary and operating materials as well as the finished 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.

Claims and other assets are given at their nominal value. Recognizable risks are considered through individual and general value adjustments. Deviating from that the corporation tax credit according to § 37 KStG was estimated with the cash value as well as insurance claims with equivalent fair values.

The cash balance and the cash at banks were balanced at their nominal value.

Deferred taxes are determined for temporary differences between the commercial and tax-based valuations of assets and liabilities. Thereby not only differences from the own balance sheet items are included for the company, but also such that exist for business partnerships in which the company is involved as a shareholder. The calculation of deferred taxes is made on the basis of the combined income tax rate of currently 30.00 %. The combined income tax rate includes the corporation tax, solidarity tax and trade tax.

Provisions

The valuation of the pension provisions is made according to the actuarial valuation (Projected-Unit-Credit-procedure). The guideline tables 2005 G by Prof. Dr. Klaus Heubeck were used as a basis for the calculation. The discounting was generally made at the average market interest rate of 3.58 % (previous year: 3.94 %) which is the result of a supposed remaining term of 10 years as of the balance sheet day. The contractual retirement age of 65 years was set as the assumed pension age. An annual increase of the current benefits of 1.75 % has been adopted as a pension trend.

The balancing of provisions is made after reasonable commercial judgement at the amount of the repayment value that is necessary for the coverage of all recognizable risks.

In case of provisions with a remaining term of more than one year, future price and cost increases are considered and a discounting is made with the average market interest rate of the past seven years in accordance with the remaining term for the balance sheet date. For the discounting of the provisions the interest rate is 1.76 % on the basis of the remaining term.

Liabilities

According to § 253 paragraph 1 HGB liabilities are given at their settlement value.

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

The development of the fixed assets is presented in the following Assets Analysis.

reifencor GmbH
Am Stadtholz 24 - 26, 33609 Bielefeld
Development of the Fixed Assets 2017/18 (Assets Analysis)

	Acquisition / production costs				Value adjustments / write-downs				Carrying amounts	
	Effective 1.04.2017	Additions	Disposals	Rebookings	Effective 31.03.2018	Effective 1.04.2017	Additions	Disposals	Effective 31.03.2018	Effective 31.03.2017
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets										
1. paid concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	1,089,707.26	17,310.81	39,718.33	7,400.00	1,074,699.74	971,125.26	44,620.81	39,718.33	976,027.74	118,562.00
2. Advance payments	7,400.00	3,095.75	0.00	-7,400.00	3,095.75	0.00	0.00	0.00	0.00	7,400.00
	1,097,107.26	20,406.56	39,718.33	0.00	1,077,795.49	971,125.26	44,620.81	39,718.33	976,027.74	125,962.00
II. Fixed assets										
1. Land, leasehold rights and buildings including buildings on third-party land	4,028,069.33	79,592.02	110,645.32	0.00	3,996,816.03	2,116,732.57	187,241.52	86,262.32	2,217,711.77	1,911,336.76
2. Technical equipment and machinery	1,067,282.93	53,698.42	0.00	0.00	1,120,981.35	864,094.93	65,200.42	0.00	929,295.35	203,188.00
3. other assets, factory and office equipment	2,444,557.30	205,899.71	682,053.65	0.00	1,968,403.36	1,974,645.80	176,868.21	681,828.65	1,469,685.36	469,911.50
4. Advance payments and investments under construction	0.00	64,592.00	0.00	0.00	64,592.00	0.00	0.00	0.00	0.00	0.00
	7,539,909.56	403,782.15	792,898.97	0.00	7,150,792.74	4,955,473.30	429,310.15	768,090.97	4,616,692.48	2,584,436.26
III. Long-term financial assets										
1. Shares in affiliated companies	2,359,901.77	23,587.25	0.00	0.00	2,383,489.02	0.00	0.00	0.00	0.00	2,359,901.77
2. Other financial assets	100.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	0.00	100.00
	2,360,001.77	23,587.25	0.00	0.00	2,383,589.02	0.00	0.00	0.00	0.00	2,360,001.77
	10,997,018.59	447,775.96	832,617.30	0.00	10,612,177.25	5,926,598.56	473,930.96	807,809.30	5,592,720.22	5,070,420.03

Financial Assets

Reifencom Bielefeld has 100 % of the share capital of reifencom GmbH, Hanover amounting to TEUR 1,536. The affiliated company discloses a result after taxes amounting to TEUR -545 and equity amounting to TEUR 2,023 for the fiscal year 2017/18.

Reifencom Bielefeld holds shares of reifencom Einkaufsgesellschaft mbH & Co. OHG, Hanover, with EUR 834,371.87 (50 %). The company discloses an annual profit of TEUR 47 on March 31st, 2018. The equity amounts to TEUR 1,669 on March 31st, 2018.

Claims and other Assets

Accounts receivable trade as well as claims against affiliated companies are due within one year.

Out of the claims against affiliated companies TEUR 0 (previous year: TEUR 3) are for accounts receivable trade.

The other assets amounting to TEUR 28 (previous year: TEUR 29) have a remaining term of more than one year.

Active Difference from Assets Offsetting

The claims from reinsurance policies are shown balanced with the pension provisions as an active difference from the asset offsetting.

By using the valuation principles changed by the BilMoG, a settlement value of the pension provisions amounting to TEUR 998 (previous year: TEUR 847) arose as of March 31st, 2018. This value was calculated with the fair value of the reinsurance policies as of March 31st, 2018 amounting to TEUR 940 (previous year: TEUR 915) and the balance was shown as asset offsetting for pensions and other obligations amounting to TEUR 58. In the previous year it was shown as an active difference of the asset offsetting amounting to TEUR 69.

The discount amount of the pension provisions resulting from this amounting to 113 TEUR is balanced under the position "Other interest and similar expenses" together with the interest income from the assets amounting to 25 TEUR.

Equity

The share capital amounts to TEUR 750 (previous year 750) and is paid in fully.

The profit brought forward as of March 31st, 2018 amounting to TEUR 40 (previous year 157) shall be forwarded to a new account.

Payout Block

The total amount that is subject to the payout block according to § 268 paragraph 8 HGB is TEUR 757

In detail the total amount is determined as follows:

	TEUR
Fair value of the active difference from the asset offsetting that is higher than the acquisition costs	201
Difference according to § 253 paragraph 6 sentence 1 HGB (Interest adjustment effect pension provision)	238
Recognition of deferred taxes	318
	<hr/>
	757
	<hr/> <hr/>

Provisions

According to § 253 paragraph 6 HGB there is a payout block amounting to the difference between the pension provisions according to the average market interest rate from the past ten fiscal years and the pension provisions according to the average market interest rate from the past seven fiscal years. The difference is TEUR 238 on the balance sheet date.

The other provisions consist of the following individual provisions:

	<u>2016/2017</u>	<u>2017/2018</u>
	TEUR	TEUR
Holiday pay/bonus	82	89
Time accounts	2	5
Guarantees	65	65
Financial statement and audit costs external	14	16
Financial statement and audit costs internal	17	17
Trade association	67	71
Outstanding invoices	90	83
Maintenance	9	0
Commitments arising from rental contracts	74	81
Archiving costs	16	16
Others	12	12
	<u>448</u>	<u>455</u>

Liabilities

Liabilities towards credit institutions amounting to TEUR 405 (previous year 505) are secured through mortgages as well as maximum absolute guarantees.

The liabilities towards affiliated companies include such from supplies and services amounting to TEUR 2,203 (previous year: TEUR 1,045) as well as other liabilities amounting to TEUR 2,600 (previous year: TEUR 3,000).

The liabilities include TEUR 61 (previous year: TEUR 145) with a remaining term of more than five years as well as TEUR 219 (previous year: TEUR 289) with a remaining term of one to five years.

IV. Information about the Profit and Loss Account

Other operating income

The other operating income includes non-period income amounting to TEUR 11 from excess payment as well as TEUR 3 from depreciated receivables.

Personnel costs

The costs for the addition to the pension provisions amounting to TEUR 39 (previous year: TEUR 160) are shown under personnel costs.

Interest expense

The income from the increase of the fair value of the reinsurance policies amounting to TEUR 25 (previous year: TEUR 19) is shown together with expenses from the discounting of the provisions amounting to TEUR 113 (previous year: TEUR 89) in the interest expense.

V. Other information

As it is a medium-sized company according to § 267 HGB, size-related simplifications are used regarding the disclosure requirement according to § 288 HGB and § 276 HGB.

Contingent Liabilities

On the balance sheet day contingent liabilities from guarantees exist to an amount of TEUR 364 (previous year: TEUR 667). These are set up as follows:

Reifencom GmbH, Bielefeld, bears the liability for leasing liabilities of reifencom Einkaufsgesellschaft mbH & Co. OHG, Hanover, amounting to TEUR 364 (previous year: TEUR 666) on the balance sheet day. The leasing liabilities exist towards UniCredit Leasing GmbH in the amount of TEUR 120, akf leasing GmbH & Co. KG in the amount of TEUR 20, Volkswagen Leasing GmbH in the amount of TEUR 5 as well as together with reifencom GmbH, Hanover, towards Deutsche Leasing GmbH in an amount of TEUR 219.

The leasing contracts have different and partly indefinite remaining terms. The risk of the utilisation of the contingent liabilities is seen as not given.

Other Financial Obligations

The other financial obligations amount to TEUR 9,225 (previous year: TEUR 10,104). They are due in the following years:

	Total	Maturity		
		< 1 year	1 - 5 years	> 5 year
	TEUR	TEUR	TEUR	TEUR
Rental contracts	9,030	1,507	4,696	2,827
(in the previous year)	9,777	1,496	5,128	3,153
Leasing contracts	195	111	84	0
(in the previous year)	327	194	134	0

These are obligations from rental contracts for the different branches as well as obligations from leasing contracts.

Information about the Employees

The average number of employees is:

	Total	Previous year
Employees	157	148
Executive manager	1	1
	158	149

Information about the Executive Managers

Executive managers are:

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

Information about the total salary is not given according to § 286 paragraph 4 HGB.

Consolidated Companies

Reifencom Bielefeld 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 a parent company of the reporting company. The consolidated financial statement is disclosed in the Federal Gazette.

Audit Fee

The auditor's fee is not disclosed in accordance with § 288 paragraph 2 HGB.

Liability function

The company takes the position of an associate with unlimited liability towards reifencom Einkaufsgesellschaft GmbH & Co. OHG with seat in Hanover.

Supplementary Report

There have not been any processes of particular importance at the end of the fiscal year as of March 31st, 2018.

Bielefeld, April 27th, 2018

.....
Executive manager Heiko Knigge

.....
Executive manager Ralf Strelen

.....
Executive manager Marco Paracciani

reifencom GmbH
Am Stadtholz 24 - 26, 33609 Bielefeld
Situation Report for the Fiscal Year 2017/18

A. Foundations of the Company

The object of the company is the trade with and the fitting of tyres, rims and accessories. Further, reifencom GmbH has all of the shares of the subsidiary reifencom GmbH, Hanover, as well as together with reifencom GmbH Hanover all of the shares of reifencom Einkaufsgesellschaft mbH & Co. OHG, Hanover.

Reifencom GmbH closely cooperates with reifencom GmbH in Hanover in the sales area under the name reifen.com. Reifen.com is one of the leading companies in the area of the tyre service with over 600,000 costumers annually and 37 branches currently.

This cooperation as well as the cooperation with the common subsidiary (reifencom Einkaufsgesellschaft mbH & Co. OHG, Hanover), which provides logistics service as well as the centralized purchasing of tyres and rims for both associates, results in synergy effects which has positive effects on the entire company.

On the balance sheet day there were the following branches of reifencom GmbH, Bielefeld in the following cities:

Aachen
Bielefeld
Castrop-Rauxel
Dortmund
Duisburg
Dusseldorf
Essen
Frankfurt a. M.-Bockenheim
Frankfurt a. M.-Fechenheim
Kassel
Cologne-Hahnwald
Cologne-Ossendorf
Mainz
Mühlheim
Münster
Paderborn

Verl
Wuppertal

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 above-average. The turnover of light truck tyres increased by 5.6% 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 Trend

General Business Development

Due to shifts of the summer tyre season, the positive business development of the last years could not be continued. The gross profit (defined as sales revenue minus cost of materials) decreased by TEUR 275 to TEUR 13,392 in the fiscal year 2017/2018. The goal of a positive annual result could still be reached.

Sales development

Due to the weak summer season, the turnover of the fiscal year 2017/18 was at the previous year's level.

Procurement

The availability of goods was given throughout the whole year. The purchase prices have increased compared to the previous year in the main segments passenger car tyres as well as rims.

Reifencom GmbH is anxious to, and has been so in the in the previous years as well, have sufficient goods in the branches for the seasons and to procure goods not in stock just in time, as required.

The greatest part of the tyres that are sold is purchased via the Einkaufsgesellschaft (purchasing company) that is operated as a joint venture with reifencom GmbH, Hanover.

Investments

In the reporting year investments in the ballpark of TEUR 424 (previous year: TEUR 280) were made into the fixed assets (without financial assets).

The main part of these investments was made for tenant fixtures and other operation and business equipment.

Financing

The financing of the company is mainly secured through own funds. The equity ratio is 26.4% (2017: about 26.3%).

Further, a loan by reifencom GmbH, Hanover, amounting to EUR 2.6 million (2017: EUR 3 million) needs to be taken into account, which comes from a loan granting in connection with the repayment of the initial shareholder loan. The loan can be repaid in the short-term.

On the balance sheet day there were liabilities to banks amounting to TEUR 405 (2017: TEUR 506), of which TEUR 403 (2017: TEUR 504) for the longer-term financing of property investments (branch Cologne-Ossendorf and property with building in Bielefeld).

Personnel and Social Area

There were an average of 148 persons (previous year: 149) employed.

As peak seasons cannot be mastered exclusively by in-house staff, temporary staff was appointed especially in the fitting area - as it was the case in the previous years as well.

Further we as reifencom GmbH attach much importance to further training and schooling of the marketing and commercial personnel. Next to schoolings through external trainers, the company regularly carries out in-house schoolings for the workshop staff to meet the new technical requirements and to keep the service quality on a high level.

Profit Situation

	2014	2015	2016	2016/17	2017/18
	TEUR	TEUR	TEUR	TEUR	TEUR
Gross profit	11,660	12,254	1,840	13,667	13,392
Operating expense	-11,524	-12,113	-2,839	-13,260	-13,199
Operating result	136	141	-999	407	193
Income from investments	77	0	51	12	24
Financial result	-125	-154	45	-151	-145
Balanced return	0	0	0	1	11
Earnings before taxes	88	-13	-903	269	71
Taxes on income	-86	-58	339	-112	-31
Annual result	2	-71	-564	157	40

The gross profit amounts to TEUR 13,392. Due to increased procurement costs, the gross profit increased by 2.0 % compared to the fiscal year 2016/17.

The decrease of the operating expense by TEUR 60 to TEUR 13,199 is mainly based on the decrease of other operational expenses which was partly compensated for by the increase of the personnel expenditure.

The outlined business trend leads to an operating result of TEUR 193 (previous year: TEUR 407).

The income from investments is distributed profits of reifencom Einkaufsgesellschaft mbH & Co. OHG.

The negative financial result mainly stems from the interest burden of a short-term loan of an associated company.

All in all the decrease of the gross profit resulting from the procurement price leads to a declining annual result amounting to TEUR 40 (previous year: TEUR 157) compared to the fiscal year 2016/17

Financial Situation

	<u>2016/17</u>	<u>2017/18</u>
	TEUR	TEUR
Cash flow from current business operations	713	479
Cash flow from investment activity	-241	-350
Cash flow from financing activity	-267	-264
Financial resources at the end of the period	726	591

The decrease of the cash flow from current business operation is especially due to the increase of liabilities towards associated companies.

The cash flow from investment activity has mainly been influenced by investments in fixed assets.

The negative cash flow from financing activity includes the decrease in bank debt for the financing of properties purchased as well as the repayment of the loan of the subsidiary.

Financial Situation

	31.12.2014		31.12.2015		31.03.2016		31.03.2017		31.03.2018	
	TEU R	%	TEU R	%	TEU R	%	TEU R	%	TEUR	%
Long-term assets	5,600	59.1	5,485	65.3	5,602	59.6	5,139	58.2	5,048	56.4
Medium- and short-term assets	3,874	40.9	2,916	34.7	3,793	40.4	3,690	41.8	3,909	43.6
Total assets	9,474	100	8,401	100	9,394	100	8,829	100	8,957	100
Equity	2,802	29.6	2,731	32.5	2,168	23.1	2,325	26.3	2,365	26.4
Long-term loan capital	196	2.1	155	1.8	145	1.5	104	1.1	215	2.4
Medium- and short-term loan capital	6,476	68.4	5,514	65.6	7,082	75.4	6,400	68.1	6,377	71.2
Total capital	9,474	100	8,401	100	9,394	100	8,829	100	8,957	100

The long-term assets mainly consist of property (TEUR 2,534) and financial assets (TEUR 2,384).

The financial assets are shareholdings of reifencom GmbH, Hanover, as well as reifencom Einkaufsgesellschaft mbH & Co. OHG, Hanover.

Regarding the medium- and short-term assets the inventories stand out as they make up about 26 % of the balance sheet total. By 31.03.2018 the stock of tyres and rims was slightly increased compared to the previous year.

The claims in the group have slightly decreased. They were TEUR 0 on the reporting date March 31st, 2018. In the previous year these were TEUR 3.

The liquid assets decreased by TEUR 135 to TEUR 591 on the record date. They thereby make up about 7 % of the balance sheet total.

The long-term liabilities include two bank loans for the financing of properties acquired.

The equity is shown with approx. EUR 2.4 million. The equity ratio is 26.4 % (previous year: 26.3). Next to this, the loans towards reifencom GmbH, Hanover, amount to MEUR 2.6 as part of the medium- and short-term loan capital need to be considered.

Further pension obligations amounting to TEUR 998 exist. These are represented until long-term assets together with the reinsurance claims (TEUR 941) according to § 246 paragraph 2 HGB.

C. Supplementary Report

There have not been any especially important processes at the end of the fiscal year 2017/18.

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 reifencom GmbH. We are positioned as a discount tyre warehouse with inexpensive brand tyres. This sales argument of low prices with a good service has led reifencom GmbH 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 new partner. Hereby business processes are tested and improved to enforce sustained efficiency improvements and cost reductions.

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. The forecasted turnover is about Mio. EUR 40. Further an increase of the annual result is aimed at. 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.

As reifencom GmbH is also dependent on consumer climate, consumer reticence can also be a risk for our sales development.

However, discounters are expected to continue to profit from possible consumer reticence as the consumers especially pay attention to the price to guarantee their standard of living.

In the past reifencom GmbH has countered declines in sales due to changes in consumer behaviour or again falling selling prices with branch openings and the acceleration of the internet business.

With the central warehouse, the company improves the stock situation in the branches so that almost a 100%-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 2018/19.

Raw materials are traded in dollar on the world market. A portion of the goods procured outside of the Euro-zone is billed in US dollar or English pound.

As the main part of the tyres is procured via reifencom Einkaufsgesellschaft mbH & Co. OHG, direct exchange rate risks are excluded. However, they are indirectly passed on to reifencom GmbH from the purchasing company (Einkaufsgesellschaft).

Short-term currency fluctuations are secured with suitable financial instruments through the purchasing company (Einkaufsgesellschaft) 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 reifencom GmbH.

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 purchasing company (Einkaufsgesellschaft) 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 GmbH 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 reifencom GmbH 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. Reifencom GmbH minimizes the risk through a mixture of stock goods on the one hand and goods that are procured order-related on the other hand.

Reifencom GmbH 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

Reifencom GmbH 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.

Tyre Replacement 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 reifencom Einkaufsgesellschaft mbH & Co. 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. Reifencom GmbH 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.

Payment Defaults

As the majority of our customers are private customers, payment is made in cash. We regularly check the loan amount for customers with payment terms. In order to keep the risk as low as possible, we cooperate with specialist companies in the area of risk assessment as well as debt collection.

Competition

Reifencom GmbH 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. Reifencom GmbH, Bielefeld, together with reifencom GmbH in Hanover rises to this challenge. We can clearly influence the market with the web presence www.reifen.com.

Value Chain

Reifencom GmbH 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

Reifencom GmbH has a high number of customers. This is a valuable asset. Satisfied customers like to come back again and recommend the company to third parties. High customer dissatisfaction can lead to a decline in sales and the loss of market shares fast. Reifencom GmbH 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 reifencom GmbH. The number of possible and known risks does not pose a risk to the continued existence of the company.

Bielefeld, April 27th, 2018

reifencom GmbH, Bielefeld

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Executive manager Heiko Knigge

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Executive manager Ralf Strelen

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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 GmbH, Bielefeld, 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 GmbH, 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.

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 GmbH (Bielefeld)

Corporate, legal and tax situation

Company:	reifencom GmbH
Seat:	Bielefeld
Incorporation:	November 03, 1989
Legal Form:	Company with limited liability
Company agreement:	The Articles of Incorporation in the amended version of August 15, 2012 are applicable.
Commercial register:	District Court of Bielefeld, HRB 34411 The last entry dated 20 December 2017.
Purpose of the Company:	The purpose of the company is the trading and assembly of tires, rims and accessories as well as the participation in other companies with the same company objects.
Share capital:	EUR 750.000,000
Business year:	April 1 to March 31
Shareholders:	Apollo Vredestein BV, Amsterdam/NL (100%)
Subsidiary / Participation	<ul style="list-style-type: none"> - reifencom GmbH (Hannover) 100% - reifencom Einkaufsgesellschaft mbH & Co. OHG (50%) directly and 50% indirectly through reifencom GmbH (Hannover)
Management and representation:	As managing director is appointed: Heiko Knigge, Bad Sulzuflen Matthias Heimann, Huizen (Netherlands) until 20 December 2017 Ralf Strelen, Isernhagen, since 20 December 2017 Marco Paracciani, London (Großbritannien), since 20 December 2017

If only one shareholder is appointed, the latter shall represent the company alone. If several managing directors are appointed, each managing director is individually authorized to represent the company.

The following procurations were issued:

Individual Procura:

Dirk Hülsegge, Bad Salzuflen, until 20 December 2017

Arno Melcher, Garbsen, since 20 Dezember 2017

Shareholders' meeting and previous year's financial statements:

On 22 May 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 net profit for the year of € 157,137.21 was carried forward to new account.
- Warth & Klein Grant Thornton AG will be appointed as the auditor for fiscal year 2017/2018.

On November 27, 2017, an ordinary shareholders' meeting took place, in which the dismissal of Mr. Heimann as managing director and the appointment of the new managing directors, Mr. Strelen and Mr. Paracciani was decided. In the course of this, the procuration of Mr. Hülsegge was revoked and Mr. Melcher was given a new procuration.

On January 23, 2018, an ordinary shareholders' meeting took place, in which the purchase of the property in Hamburg was found, on which the branch of the company in Hamburg is located.

Company Size:

The company is a medium-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 agreements for various branches

Taxation:

Responsible tax office: Bielefeld-Innenstadt

Tax number: 305/5878/1057

External audit: Completed up to and including 2009, ongoing audit for 2010 - 2013

Income tax audit: Until 30 September 2009