

reifencom GmbH, 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 GmbH, Hannover,

(hereinafter also referred to as „reifencom Hannover“ 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 tire segment, which is the main segment for tire tires, there was a slight increase in sales figures 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. As a result, B2C sales have stabilized at a high level for the third consecutive year.
- 2. Business Situation:** The positive business development continues in the 2017/18 financial year for reifencom. The gross profit (defined as sales less material expenses) increased by KEUR 209 to KEUR 27,541 in financial year 2016/17 and thus was able to fulfill the expected improvement in the gross profit compared to the previous year. However, due to the higher operating expenses, the goal of a positive annual result could not be achieved.
- 3. Earnings position:** The gross profit (sales less cost of materials) amounts to TEUR 27,541. Gross profit rose by 0.8% in the financial year compared to the 2016/17 financial year due to the increase in sales. The course of business shown leads to an operating result of TEUR -793 (previous year: TEUR - 268). In particular, expenses for personnel burden the operating result.
- 4. Financial situation:** The asset side of the balance sheet in the amount of KEUR 21,619 essentially consists of fixed assets of KEUR 8,999 (41.6%), receivables from affiliated companies of KEUR 3,721 (17.2%) and cash and cash equivalents of KEUR 1,178 (5.4%) of the tire and wheel rim inventories in the amount of TEUR 2,953 (13.7%) as well as trade receivables in the amount of TEUR 2,108 (9.8%). The medium and short-term borrowed capital essentially consists of trade payables of EUR 2,510 thousand and liabilities to affiliated companies of EUR 14,364 thousand.
- 5. Financial position:** The decline in cash flow from operating activities is attributable in particular to the negative annual result. The investments could be financed from the existing liquidity.

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 dampening the risk of a strong seasonal dependence of the industry and the storage of imported goods. Thus, the seasonal customer demand can be covered, without which the inventory levels in the branches of reifencom GmbH are to be significantly increased.
- 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 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 sales revenues. The projected sales are around EUR 103 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 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 GmbH, 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 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, 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 ac-

counting-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.

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-size limited liability 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, banks 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 Hannover 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.

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 Hannover 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 Hannover, 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 Nr.	2018		2017		Change k€
		k€	%	k€	%	
Revenues		101.497	100,0	101.078	100,0	419
Total operating performance		101.497	100,0	101.078	100,0	419
Material expenses		-73.956	-72,9	-73.745	-73,0	-211
Gross profit	1	27.541	27,1	27.333	27,0	208
Other operating income		394	0,4	316	0,3	78
other activated contribution		257	0,3	76	0,1	181
Personell expenses	2	-12.197	-12,0	-11.296	-11,2	-901
Depreciations		-993	-1,0	-850	-0,8	-143
Other operating expenses (inclusive other taxes)		-15.765	-15,5	-15.856	-15,7	91
EBIT		-763	-0,8	-277	-0,3	-486
Financial income		76	0,1	81	0,1	-5
Financial expense		-83	-0,1	-54	-0,1	-29
Income from subsidiaries		24	0,0	12	0,0	12
Financial result		17	0,0	39	0,0	-22
Earnings before income taxes		-746	-0,7	-238	-0,2	-508
Income taxes		201	0,2	35	0,0	166
Year-end result		-545	-0,5	-203	-0,2	-342

to No. 1

The increase in gross profit by around 2.0% to € 27,541 thousand resulted from slightly higher sales revenues (€ +419 thousand), which were offset by higher purchase prices that could not be fully passed on to customers.

to No. 2

Personnel expenses increased by € 901 thousand in 2017/2018. This is mainly due to the increase in employee numbers in the branches, due to increased labor costs per employee and the hiring of two new managing directors at reifencom Hannover.

Financial situation

	see Nr.	2018		2017		Change k€
		k€	%	k€	%	
Intangible assets	1	5.579	25,8%	4.997	23,4%	581
Property, plant and equipment		2.305	10,7%	2.269	10,6%	36
Financial investments		1.116	5,2%	1.185	5,6%	-69
Long-term other assets		75	0,3%	75	0,4%	0
Active difference resulting from asset offsetting	2	105	0,5%	173	0,8%	-68
Long-term assets		9.179	42,5%	8.699	40,8%	480
Inventory	3	3.108	14,4%	2.558	12,0%	549
Accounts receivables		2.108	9,8%	2.017	9,5%	91
Receivables from affiliated companies	4	3.721	17,2%	4.039	18,9%	-319
Other assets		1.184	5,5%	879	4,1%	305
Cash and cash equivalents	5	1.178	5,4%	2.192	10,3%	-1.014
Deferred expenses		278	1,3%	262	1,2%	16
Deferred taxes		864	4,0%	697	3,3%	168
Short-term and medium-term assets		12.440	57,5%	12.644	59,2%	-204
Total Assets		21.619	100,0%	21.343	100,0%	276

to No. 1

The increase in intangible assets is mainly due to the capitalization of own contributions to the new merchandise management, which is still under construction.

to No. 2

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.

to No. 3

The increase in inventories is due to seasonal business. Finished goods rose by EUR 542 thousand compared to the previous year, as not so many tires were sold in March 2018 compared to the previous year.

to No. 4

The receivables from affiliated companies fell by EUR 319 thousand. This development resulted mainly from the partial repayment of a short-term loan to reifencom Bielefeld (-400 kEUR).

to No. 5

As of the balance sheet date, cash and cash equivalents changed by EUR 1,014 thousand compared to the previous year, as more liabilities to suppliers were paid

before the reporting date of March 31, 2018. This same development is also evident in trade payables.

	see Nr.	2018		2017		Change k€
		k€	%	k€	%	
Shareholder's equity		1.536	7,1%	1.536	7,2%	0
Profit and loss brought forward		1.033	4,8%	1.234	5,8%	-202
Annual result		-545	-2,5%	-202	-0,9%	-344
Equity on the balance sheet		2.023	9,4%	2.569	12,0%	-546
Other accruals		73	0,3%	73	0,3%	0
Liabilities to credit institutions		16	0,1%	23	0,1%	-7
Non-current liabilities		89	0,4%	96	0,4%	-7
Long-term capital		2.112	9,8%	2.665	12,5%	-553
Other liabilities		939	4,3%	799	3,7%	140
Liabilities to credit institutions		11	0,1%	11	0,1%	0
Advance payments received on orders		323	1,5%	520	2,4%	-197
Trade accounts payable	6	2.510	11,6%	3.719	17,4%	-1.209
Liabilities to affiliated companies	7	14.364	66,4%	12.508	58,6%	1.855
Other liabilities		1.359	6,3%	1.108	5,2%	252
Deferred income		0	0,0%	12	0,1%	-12
Short-term and medium-term capital		19.506	90,2%	18.678	87,5%	828
Total capital		21.619	100,0%	21.343	100,0%	276

to No. 6

Trade payables fell by EUR 1,209 thousand as of the reporting date.

to No. 7

Liabilities to affiliated companies rose due to higher liabilities to the reifencom Einkaufsgesellschaft (EUR +1.7 million) and Apollo Vredestein (EUR +0.2 million).

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.

	31.03.2018 k€	31.03.2017 k€	Change k€
Result for the year	-545	-202	-343
+/- Depreciation on fixed assets	993	850	143
+/- Decrease / increase in provisions	140	-20	160
Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities	-506	-584	78
Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	688	750	-62
-/+ Profit / loss from the disposal of fixed assets	-6	-6	0
+/- Interest expenses (+) / interest income (-)	7	-28	35
- Dividends	-24	-12	-12
+/- Income tax expense	-201	-35	-166
-/+ Income tax payments	-35	36	-71
= Cashflow from operating activities	512	749	-238
- Payments for investments in intangible assets	-1.158	-1.009	-148
Proceeds from disposals of property, plant and equipment	11	0	11
Payments for investments in property, plant and equipment	-458	-252	-206
+ Proceeds from disposals of financial assets	100	121	-21
- Payments for investments in financial assets	-31	-25	-6
+ Interest received	76	81	-5
+ Reached dividends	24	12	12
= Cash flow from investing activities	-1.436	-1.072	-364
+ Proceeds from taking up of loans	0	11	-11
Disbursements from the repayment of bonds and loans	-7	0	-7
- Interest paid	-83	-54	-29
= Cash flow from financing activities	-90	-43	-47
Changes in cash and cash equivalents	-1.014	-366	-649
Cash and cash equivalents at the beginning of the period	2.192	2.558	-366
Cash and cash equivalents at the end of the period	1.178	2.192	-1.014

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, 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 GmbH
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		101.497.228,91		101.078
2. Other own work capitalized development		257.143,25		76
3. Other operating income		394.629,95		316
- thereof of foreign exchange gain EUR 18.997,85 (prior year. kEUR 14)				
4. Cost of materials				
a) Costs for raw materials, consumables and supplies and of purchased merchandise	-73.808.442,89		-73.654	
b) Cost of purchased services	-147.213,26		-91	
		-73.955.656,15		-73.745
5. Personnel costs				
a) Wages and salaries	-10.205.965,24		-9.513	
b) Social security contributions and expenses for pensions schemes and support	-1.991.369,29		-1.783	
- thereof for pensions: EUR 69.125,33 (prior year kEUR 2)				
		-12.197.334,53		-11.296
6. Depreciation of property, plant and equipment		-993.216,52		-850
7. Other operating expenses		-15.757.969,99		-15.848
- thereof of foreign exchange losses EUR 80.915,00 (prior year kEUR 57)				
8. Income from investments		23.587,25		12
- thereof from affiliated companies EUR 23.587,25 (prior year kEUR 13)				
9. Other interest and similar income		75.990,31		81
- thereof from affiliated companies EUR 57.316,67 (prior year kEUR 60)				
10. Other interest and similar expenses		-83.127,78		-54
- thereof from discounting EUR 46.265,00 (prior year kEUR 35)				
11. Taxes on income and profit		200.774,70		35
12. Result after taxes		-537.950,60		-195
13. Other taxes		-7.420,59		-8
14. Annual net profit		-545.371,19		-203

Annex of the Annual Financial Statement as of March 31st, 2018

I. General Data

The annual financial statement as of March 31st, 2018 of reifencom GmbH, Hanover, registered at the local court Hanover under HRB 58811, (hereafter: reifencom Hanover) 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 provisions for stock corporations according to §§ 264 ff. HGB are applied for the structures of the Balance Sheet and the Profit and Loss Account. The size-related simplifications for medium-sized stock corporations are used for the annex.

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

II. Information about the Accounting and Valuation Methods

Fixed Assets

The valuation of the fixed assets is made regarding the acquisition and production costs. Incidental acquisition costs were 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 been applied:

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

In case of receipts the calculation of the depreciation for fixed asset items is made according to § 253 paragraph 3 sentence 1 and 2 HGB. In the year of the receipt, the acquisition and production costs of intangible assets and items of property are written off pro-rata-temporis. Depreciable assets with acquisition costs below 150.00 EUR are fully recognized as expenses in the year of acquisition already.

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 Hanover 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 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 minus. Foreign currency receivables were converted at the mean spot exchange rate on the balance sheet date. Recognizable risks were considered through individual and general value adjustments.

The balances at credit institutions and the cash balance are given 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 pension provisions have been determined according to the Projected-Unit-Credit procedure using actuarial principles with an interest rate of 3.58 % (previous year: 3.94 %) p.a. on the basis of guideline tables 2005 G by Prof. Dr. Klaus Heubeck, Cologne. Salary trends remain unconsidered. An annual increase of the current benefits of 1.75 % has been adopted as a pension trend. Pension obligations are offset against assets which solely serve the performance of these liabilities and which are protected from other creditors according to § 246 paragraph 2 sentence 2 HGB.

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 1.21 % on the basis of the remaining term.

Liabilities

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

Bases of Currency Translation

Receivables or liabilities in a foreign currency are always translated at the average exchange rate valid at the time of the business transaction. For the subsequent measurement a translation at the spot exchange rate is made on the balance sheet date. In the reporting year there were no significant 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

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

Claims and other Assets

Claims towards affiliated companies exist towards the shareholder in the amount of TEUR 3,686 (previous year: TEUR 3,992) as well as towards other affiliated companies in the amount of TEUR 35 (previous year: TEUR 47) and include accounts receivable trade amounting to TEUR 1,121 (previous year: TEUR 1,039) as well as financial resources provided amounting to TEUR 2,600 (previous year: TEUR 3,000). TEUR 75 with a remaining term of more than one year are included in the other assets.

Active Difference from Assets Offsetting

Pension obligations are secured through assets that only serve the fulfilment of these obligations and that are protected from other creditors. These assets are set off against the underlying obligations according to § 246 paragraph 2 sentence 2 HGB. The following amounts are to be given:

Acquisition costs of the invested capital	TEUR 497
Settlement value of the obligations of pension commitments	571
Fair value of the assets	<u>676</u>
Surplus of the assets regarding obligations of pension commitments (Active difference)	105

The discount amount of the pension provisions resulting from this amounting to 63 TEUR is balanced under the position "Other interest and similar expenses" with the interest income from the assets amounting to 16 TEUR.

Equity

The subscribed capital of reifencom Hanover amounts to TEUR 1,536 (previous year: TEUR 1,536), and is fully paid.

The profit brought forward is TEUR 1,033. (Previous year: TEUR 1,234).

Regarding the appropriation of earnings the management will make the following draft resolution in the general meeting:

	<u>TEUR</u>
Profit brought forward	1,033
Net loss	<u>-545</u>
Net profit	488
./. Distribution	<u>0.00</u>
Balance to be brought forward	<u><u>488</u></u>

Payout Block

The total amount that is subject to the payout block according to § 268 paragraph 8 HGB is TEUR 1,622

In detail the total amount is determined as follows:

	TEUR
Activation of internally generated intangible assets of the fixed assets	451
Fair value of the active difference from the asset offsetting that is higher than the acquisition costs	179
Difference according to § 253 paragraph 6 sentence 1 HGB (Interest adjustment effect pension provision)	128
Recognition of deferred taxes	864
	<u><u>1,622</u></u>

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 128 on the balance sheet date.

The other provisions consist of the following individual provisions:

	31.03 2018 <u>TEUR</u>	previous year <u>TEUR</u>
Leftover holiday entitlements	217	235
Guarantee	212	209
Trade association	141	113
Bonusses	112	31
Archiving	73	73
Outstanding invoices	61	72
Disability charge	54	9
Rents	47	32
Time credits	46	55
Fiscal statement costs	44	36
Remaining other provisions	5	7
	<u>1,012</u>	<u>872</u>

Liabilities

The following Liabilities Analysis presents the composition of liabilities according to the remaining terms and the type of security:

Liabilities (TEUR)	<u>with a remaining term of</u>				
	Total amount	up to 1 year	1 to 5 years	more than 5 years	secured amount
1. Liabilities towards credit institutions	27	11	16	0	0
2. Advance payments received for orders	323	323	0	0	0
3. Accounts receivable trade	2,510	2,510	0	0	0
4. Liabilities towards affiliated companies	14,364	14,364	0	0	0
5. Other liabilities	1,359	1,359	0	0	0
- of which from taxes	1,356	1,356	0	0	0
- of which within the social security	4	4	0	0	0
	<u>18,583</u>	<u>18,567</u>	<u>16</u>	<u>0</u>	<u>0</u>

Deferred taxes:

Deferred taxes are calculated for temporary differences between the commercial and tax valuations of assets and liabilities. The company not only includes the differences from its own balance sheet items, but also those that exist in partnerships in which the company is a shareholder. Deferred taxes are calculated on the basis of the company's combined income tax rate of currently 30.0%. The combined income tax rate includes corporation tax, solidarity surcharge and trade tax.

IV. Information about the Profit and Loss Account

Revenues

Sales revenues i.H.v. TEUR 101,497 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	69.702	70.386
Rims	15.150	15.017
Equipment	3.150	2.421
Services, Car Service, Other	13.495	13.255
	<u>101.497</u>	<u>101.078</u>

Breakdown by geographical area markets:

	<u>2017/18</u>	<u>2016/17</u>
	KEUR	KEUR
Germany	90.579	89.975
EU (without Germany)	5.960	6.735
Other Europe	4.958	4.368
	<u>101.497</u>	<u>101.078</u>

Other operating income

The other operating income includes non-period income (TEUR 112) mainly resulting from excess payments and accounting of service charges. Furthermore income from depreciated receivables (TEUR 7) is included.

Personnel expenses

The expense from the addition to the pension provision in the amount of TEUR 22 is reported under personnel expenses.

Other operating expenses

The other operating expenses include non-period expenses amounting to TEUR 80 (prior year TEUR 117) which can especially be reduced to subsequent gas and energy bills.

V. Other information

Contingent Liabilities

On the balance sheet date reifencom Hanover, partly together with reifencom GmbH, Bielefeld, is liable for reifencom Einkaufsgesellschaft mbH & Co. OHG, Hanover, amounting to TEUR 250 to Deutsche Leasing GmbH

The risk of the utilisation of the contingent liabilities is seen as not given due to the performance capability of the group.

Other Financial Obligations

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

		<u>Maturity</u>		
	Total	< 1 year	1 - 5 years	> 5 years
	<u>TEUR</u>	<u>TEUR</u>	<u>TEUR</u>	<u>TEUR</u>
Rental contracts	8,587	1,888	5,384	1,315
(in the previous year)	(10,092)	(1,989)	(6,068)	(2,035)
Leasing contracts	404	197	207	0
(in the previous year)	(426)	(155)	(271)	(0)

Future income from the subleasing amounting to TEUR 28 is offset by these obligations.

Information about the Employees

The average number of employees is:

	<u>Total</u>	<u>Previous year</u>
Employees	263	248
Executive manager	<u>3</u>	<u>1</u>
	<u>266</u>	<u>249</u>

Information about the Executive Managers

Executive managers are:

- Hr Olaf Sockel, Hanover (Merchant),
- Michael Härle, Hanover, (Diplom- Merchant), since March 27th, 2017,
- Mr Mathias Heimann, Enschede/Netherlands
(CEO der 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 salary is not given according to § 286 paragraph 4 HGB.

Consolidated Companies

Reifencom Hanover 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 total fee charged by the auditor for the 2017/18 financial year amounts to TEUR 20 for auditing services..

Information about Shareholdings

At least 20% of the shares are held of the following companies on the balance sheet day:

Name	Seat	Size of shareholdin g %	Equity of the company TEUR	Result of fiscal year as of 31.03.2018 TEUR
reifencom Einkaufsgesellschaft GmbH & Co. OHG	Hanover	50	1,669	47

Liability Function

The company takes the position as a member with unlimited liability for reifencom Einkaufsgesellschaft GmbH & Co. OHG with the seat in Hanover.

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

.....
Executive manager Olaf Sockel

.....
Executive manager Michael Härle

.....
Executive manager Marco Paracciani

reifencom GmbH
Südfeldstraße 16, 30453 Hanover
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, together with reifencom GmbH, Bielefeld, reifencom GmbH has all of the shares of reifencom Einkaufsgesellschaft GmbH & Co. OHG, Hanover.

Reifencom GmbH closely cooperates with reifencom GmbH in Bielefeld in the sales area under the name reifen.com. The reifen.com group is one of the leading corporate groups in the area of the tyre service with over 600,000 costumers annually and currently 37 branches. Further reifencom GmbH distributes tyres as well as complete wheels on several platforms in the internet. Own trading platforms exist in Germany, Switzerland, Austria, Italy, France and Denmark.

This cooperation as well as the cooperation with the common subsidiary (reifencom Einkaufsgesellschaft GmbH & 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 branches of reifencom GmbH, Hanover, in the following cities:

Hanover-Bornum
Hanover-Vahrenheide
Celle
Hamelin
Bremen Stuhr
Brunswick
Osnabrück
Bonn
Berlin-Spandau
Berlin-Weissensee
Berlin-Marzahn
Leipzig
Dresden
Hamburg-Bramfeld
Hamburg-Wandsbek

Nuremberg-Höfen
Nuremberg-Langwasser
Munich-Aubing
Munich-Mülbertshofen

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 5.7% 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

The positive business development continues for reifencom in the fiscal year 2017/18. The gross profit (defined as sales revenue minus cost of materials) increased by TEUR 209 to TEUR 27,541 compared to the fiscal year 2016/17 and could therefore fulfil the expected improvement of the gross profit in the previous year. Due to the increased operating expense, the goal of a positive annual result could not be reached.

Sales development

The sales of the fiscal year 2017/18 increased due to higher sales volumes compared to the fiscal year 2016/17.

Sales revenues i.H.v. TEUR 101,497 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	69.702	70.386
Rims	15.150	15.017
Equipment	3.150	2.421
Services, Car Service, Other	13.495	13.255
	<u>101.497</u>	<u>101.078</u>

Breakdown by geographical area markets:

	<u>2017/18</u>	<u>2016/17</u>
	KEUR	KEUR
Germany	90.579	89.975
EU (without Germany)	5.960	6.735
Other Europe	4.958	4.368
	<u>101.497</u>	<u>101.078</u>

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, Bielefeld.

Investments

In reporting year gross investments were made in the ballpark of TEUR 1,647 (previous year: TEUR 1,286) into the fixed assets.

The investments mainly affected intangible assets with TEUR 1,158 as well as other assets, business and office equipment amounting to TEUR 298.

Financing

The financing of the company is mostly secured by own funds. The equity ratio is at about 9% (2016/17: about 12%).

Further, a sufficiently high credit account limit is available for reifencom group at the house bank, which can be used by the company at different values. Further, the house bank makes supplier sureties and rent guarantees available.

The share capital amounts to TEUR 1,536 and is paid in full.

The further financing was made via supplier credits. Here it needs to be kept in mind that more and more suppliers want to make business with reifencom GmbH. The supply relationships are partly credit insured and partly made exclusively with hedging the retention of title. The credit insurers support the company as well. Further grants of credits are made within the reifencom group.

Personnel and Social Area

There was an average of 266 people employed (previous year: 249).

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

	2 0 1 4	2 0 1 5	2 0 1 6	2016/17	2017/18
	TEUR	TEUR	TEUR	TEUR	TEUR
Gross profit	23,340	23,886	4,032	27,333	27,542
Operating expense	-23,140	-24,468	-5,604	-27,601	-28,336
Operating result	200	-582	-1.572	-268	-794
Financial and investment result	-19	-61	121	39	16
Balanced return	-63	-91	53	-9	32
Earnings before taxes	118	-734	-1.398	-238	-746
Taxes on income	-72	166	432	36	201
Annual result	46	-568	-966	-202	-545

The gross profit (sales minus costs of materials) amounts to TEUR 27,542. Due to an increased turnover, the gross profit increased by 0.8% compared to the fiscal year 2016/17.

All in all the personnel policy has been successful despite the difficult circumstances in the tyre business. It has to be kept in mind that the tyre business undergoes seasonal fluctuations and that the customers more strongly concentrate on the tyre change periods from March to May and from October to December. This trend is likely to continue in the future. Next to the resulting problem for the goods purchase policy the personnel planning becomes more difficult. The management has worked out a mechanism with which the complexity of the problem can be reduced.

The outlined business trend leads to an operating result of TEUR -794 (previous year: TEUR -268). Especially expenses for personnel burden the operating result.

Increased interest expenses lead to an increase of the financing and investment result.

Earnings through changes of the deferred taxes amounting to TEUR 168 (previous year: TEUR 36) are included in the taxes on income.

All in all the company has closed the fiscal year with a net loss amounting to TEUR 545 (previous year: TEUR 202).

Financial Situation

	<u>2016/17</u>	<u>2017/18</u>
	TEUR	TEUR
Cash flow from current business operations	749	512
Cash flow from investment activity	-1,072	1,436
Cash flow from financing activity	-26	-90
Financial resources at the end of the period	<u>2,192</u>	<u>1,178</u>

The decrease of the cash flow from current business operation is especially due to the negative annual result.

During the year, the financing is mainly made through supplier credits. Retentions of title partly exist towards the suppliers. The credit lines granted for the company have not been utilized yet.

Further, more and more suppliers who are not credit-insured are willing to grant credit lines or to increase the existing volume. The credit insurances keep on reacting positively towards the development of reifencom GmbH in the reporting year.

The investments could be financed through the existing liquidity.

Financial Situation

	31.12.2015		31.03.2016		31.03.2017		31.03.2018	
	TEUR	%	TEUR	%	TEUR	%	TEUR	%
Long-term assets	4,903	28.7	8,268	39.7	8,624	40.4	9,179	42.5
Medium- and short-term assets	12,210	71.3	12,536	60.3	12,719	59.6	12,440	57.5
Total assets	17,113	100	20,804	100	21,343	100	21,619	100
Equity	3,737	21.8	2,770	13.3	2,569	12	2,023	9.4
Long-term loan capital	38	0.2	36	0.2	29	0.1	89	0.4
Medium- and short-term loan capital	13,338	78	17,998	86.6	18,745	87.9	19,506	90.2
Total capital	17,113	100	20,804	100	21,343	100	21,619	100

The asset side of the Balance Sheet amounting to TEUR 21,619 mainly consist of fixed assets with TEUR 8,999 (41.6%), claims against affiliated companies with TEUR 3,721 (17.2%), liquid funds amounting to TEUR 1,178 (5.4%), tyre and rim supplies amounting to TEUR 2,953 (13.7%) as well as accounts receivable trade amounting to TEUR 2,108 (9.8%).

The intrinsic value of the assets is given, especially of the tyre and rim supplies, as the storage period of the inventory – keeping in mind a high availability – and the amount of shelf warmers has declined due to an optimized purchasing policy as well as refined EDP controlling instruments. The inventory of tyres and rims has declined due to further storage optimization measures.

The accounts receivable trade as well as claims against affiliated companies can be described as recoverable.

The equity ratio was reduced to about 9% due to the decreased annual result and the net loss.

Pension obligations amounting to TEUR 571 are represented under long-term assets with the reinsurance claims (TEUR 676) according to § 246 paragraph 2 HGB.

The medium- and short-term loan capital mainly consists of accounts payable trade with TEUR 2,510 as well as amounts owed to affiliated companies of TEUR 14,364.

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.

Reifencom GmbH expects further sales increase together with a positive result for the fiscal year 2018/19. The development results from the optimization of the branches as well as again the increasing restructuring of the company with the regard to the focus on the performance of the gross profit.

Online trade shall be strengthened more. Possibilities of the extension of the product range are examined or have already been implemented. Due to e.g. the weather-dependency, especially in the winter tyre business, a forecast is naturally difficult.

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.

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. The forecasted turnover is about MEUR 103. Thanks to further savings potential in other areas of the company, we are planning a positive annual result in the

following financial 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.

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.

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.

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. Reifencom GmbH 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 9.3 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.

Liquidity

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

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

Value Chain

Reifencom GmbH 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.

Hanover, April 27th, 2018

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Executive manager Olaf Sockel

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Executive manager Michael Härle

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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, 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 GmbH, 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 GmbH (Hannover)

Corporate, legal and tax situation

Company:	reifencom GmbH
Seat:	Hannover
Incorporation:	December 21, 1989
Legal Form:	Company with limited liability
Company agreement:	The Articles of Incorporation of May 12, 1992, in the amended version of March 23, 2016 are applicable.
Commercial register:	District Court of Hannover, HRB 58811 The last entry dated 22 March 2018
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 1.536.000,00 (fully paid in)
Business year:	April 1 to March 31
Shareholders:	reifencom GmbH, Bielefeld (100%)
Subsidiary / Participation	reifencom Einkaufsgesellschaft mbH & Co. OHG (50%)
Management and representation:	As managing director is appointed: Olaf Sockel, Hannover Matthias Heimann, Huizen (Netherlands) until 22 March 2018 Michael Härle, Hannover, since 11 May 2017 Marco Paracciani, London (Great Britain), since 20. Dezember 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:

Michael Kortmann, Gehrden, until 27 November 2017

Arno Melcher, Garbsen, since 27 November 2017

Shareholders' meeting and previous year's financial statements:

On May 22, 2017, an ordinary shareholders' meeting took place, in which the annual financial statements for March 31, 2017 were finalized and the management was granted discharge for the year 2016/2017.

The net loss of € 201,529.86 was carried forward to new account.

Warth & Klein Grant Thornton AG is appointed as the auditor for the 2017/2018 financial year.

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 director, Mr. Paracciani, was decided. In this course, the procuration of Mr. Kortmann was revoked and Mr. Melcher equipped with a new procuration.

Important contracts:

Rental agreements for various branches

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.

Taxation:

Responsible tax office: Hannover-Nord

Tax number: 25/200/23176