

## **reifencom GmbH, Hanover**

**Report on the Audit of the Annual Financial  
Statements and the Management Report  
for the Financial Year ended 31 March 2020**

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# Appendices

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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.

# 1. Audit engagement

By resolution of the ordinary shareholders' meeting on 25 June 2019 of

**reifencom GmbH, Hanover,**  
(hereinafter also referred to as "reifencom" or "Company")

we, Warth & Klein Grant Thornton AG Wirtschaftsprüfungsgesellschaft, have been elected as auditor for the financial year 2019/2020. The management appointed us to audit the annual financial statements together with the bookkeeping system and the management report for the financial year from 1 April 2019 to 31 March 2020.

Pursuant to section 316 paragraph 1 HGB [Handelsgesetzbuch: German Commercial Code] our audit is a statutory audit as required by sections 316 et seq. 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 preparing long-form audit reports in accordance with IDW AuS [IDW Auditing Standard] 450 (revised) ("IDW PS 450 n.F.")

Our report is addressed to reifencom GmbH.

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 6). 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 executive directors

The following statements contained in the management report prepared by the Company's executive directors 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 passenger car tyre sales segment, which is essential for reifencom, there was a decline in sales figures from 46.7 million to 44.8 million units. The winners in this group were again the all-season tyres with an increase of 13%. The market share is thus approx. 23%. The development of the tyre replacement business in Germany, reifencom's main sales market, is significantly influenced by the development of the vehicle population. In the same period of the previous year, the vehicle population increased by 1.6% to a total of 65.8 million vehicles
- 2. Business Situation:** The business activities of reifencom are influenced by seasonal influences in the area of tyre purchases / changes. In total, gross profit increased by kEUR 1,272 to kEUR 48,186. Gross profit is defined as sales revenue less cost of materials. Due to increasing sales costs, EBIT decreased by kEUR 264 to kEUR 244.
- 3. Earnings position:** The gross profit amounts to kEUR 48,186. The increase of the gross profit by about 2.7 % is mainly due to the increase in sales of 2.5 %. The operating expenses (personnel expenses, depreciation of fixed assets, other operating expenses less other operating income and other taxes) include in particular personnel expenses and other operating expenses and increased in the financial year, in particular due to higher personnel expenses (+ EUR 1.6 million). This is mainly due to a higher number of permanent employees compared to the previous year and higher expenses for retirement benefits. Overall, the annual result decreased by kEUR 367 compared to the 2018/19 financial year to kEUR -306.
- 4. Financial situation:** Non-current assets consist primarily of property, plant and equipment (kEUR 6,154) and intangible assets (kEUR 4,070). Changes resulted mainly from the annual depreciation of fixed assets and additions to fixed assets. Non-current liabilities include a bank loan for the financing of an acquired property. In addition, liabilities to banks in the amount of EUR 13.1 million, trade accounts payable (EUR 23.8 million) and liabilities to affiliated companies (EUR 4.6 million) are included in medium and short-term liabilities. These rose by EUR 2.3 million due to higher inventories.
- 5. Financial position:** The reduction in cash flow from operating activities is due in particular to the increase in liabilities to banks. The cash flow from investing

activities was mainly influenced by investments in fixed assets. The negative cash flow from financing activities includes the interest and redemption charges on the loans granted.

These key statements on the economic position and on the business performance have been sufficiently described 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:** To cushion the risk of strong seasonal dependency in the sector, the company uses a central warehouse to improve the inventory situation in the branches and Ecom Shops to such an extent that almost 100% availability of the goods requested by the customer is ensured. This will also compensate for any anticipated reluctance to buy on the part of consumers.
- 2. Opportunities:** It is to be expected that a possible reluctance to buy will increase the demand for alternative choices of cheap to high-priced goods and services. As a full-range and omnichannel supplier, reifencom GmbH is well positioned in this respect.
- 3. 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.
- 4. Risks:** The contact and curfew restrictions in Germany in connection with the corona pandemic have a particular impact on our branch business. A possible decline in sales would be the result if the contact ban were to be maintained or further tightened. In response to this, the e-commerce segment will be more strongly focused.
- 5. 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.
- 6. Risks:** reifencom GmbH operates in a highly seasonal business, which is strongly dependent on the weather in the third quarter of the financial year. Despite the continuing increase in demand for all-season tyres, consumer behaviour remains unchanged in the "October to Eastern" periods.
- 7. Forecast:** For the financial year 2020/21, we are expecting rising purchase prices and rising sales revenues. The forecast sales for the financial year of reifencom GmbH was around EUR 175 million, which was missed due to lower B2B sales in particular. We are planning an increase in sales of between 2% and 8% for the year 2020/21. More precise estimates are not possible due to the uncertainties arising from the corona pandemic and its effects on business activities.

These key statements on opportunities and risks of the future development of the Company have been sufficiently described 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 executive directors' presentation and assessment of the position of the Company, in particular regarding 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 appropriate.

### 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 2019 to 31 March 2020 of reifencom GmbH, Hannover:

## Bestätigungsvermerk des unabhängigen Abschlussprüfers



Reproduction  
of the auditor's report

An die reifencom GmbH, Hannover

### Prüfungsurteile

Wir haben den Jahresabschluss der reifencom GmbH, Hannover, – bestehend aus der Bilanz zum 31. März 2020 und der Gewinn- und Verlustrechnung für das Geschäftsjahr vom 1. April 2019 bis zum 31. März 2020 sowie dem Anhang, einschließlich der Darstellung der Bilanzierungs- und Bewertungsmethoden – geprüft. Darüber hinaus haben wir den Lagebericht der reifencom GmbH, Hannover, für das Geschäftsjahr vom 1. April 2019 bis zum 31. März 2020 geprüft.

Nach unserer Beurteilung aufgrund der bei der Prüfung gewonnenen Erkenntnisse

- entspricht der beigefügte Jahresabschluss in allen wesentlichen Belangen den deutschen, für Kapitalgesellschaften geltenden handelsrechtlichen Vorschriften und vermittelt unter Beachtung der deutschen Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens- und Finanzlage der Gesellschaft zum 31. März 2020 sowie ihrer Ertragslage für das Geschäftsjahr vom 1. April 2019 bis zum 31. März 2020 und
- vermittelt der beigefügte Lagebericht insgesamt ein zutreffendes Bild von der Lage der Gesellschaft. In allen wesentlichen Belangen steht dieser Lagebericht in Einklang mit dem Jahresabschluss, entspricht den deutschen gesetzlichen Vorschriften und stellt die Chancen und Risiken der zukünftigen Entwicklung zutreffend dar.

Gemäß § 322 Abs. 3 Satz 1 HGB erklären wir, dass unsere Prüfung zu keinen Einwendungen gegen die Ordnungsmäßigkeit des Jahresabschlusses und des Lageberichts geführt hat.



## **Grundlage für die Prüfungsurteile**

Wir haben unsere Prüfung des Jahresabschlusses und des Lageberichts in Übereinstimmung mit § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durchgeführt. Unsere Verantwortung nach diesen Vorschriften und Grundsätzen ist im Abschnitt „Verantwortung des Abschlussprüfers für die Prüfung des Jahresabschlusses und des Lageberichts“ unseres Bestätigungsvermerks weitergehend beschrieben. Wir sind von dem Unternehmen unabhängig in Übereinstimmung mit den deutschen handelsrechtlichen und berufsrechtlichen Vorschriften und haben unsere sonstigen deutschen Berufspflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unsere Prüfungsurteile zum Jahresabschluss und zum Lagebericht zu dienen.

## **Verantwortung der gesetzlichen Vertreter für den Jahresabschluss und den Lagebericht**

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Jahresabschlusses, der den deutschen, für Kapitalgesellschaften geltenden handelsrechtlichen Vorschriften in allen wesentlichen Belangen entspricht, und dafür, dass der Jahresabschluss unter Beachtung der deutschen Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt. Ferner sind die gesetzlichen Vertreter verantwortlich für die internen Kontrollen, die sie in Übereinstimmung mit den deutschen Grundsätzen ordnungsmäßiger Buchführung als notwendig bestimmt haben, um die Aufstellung eines Jahresabschlusses zu ermöglichen, der frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist.

Bei der Aufstellung des Jahresabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit zu beurteilen. Des Weiteren haben sie die Verantwortung, Sachverhalte in Zusammenhang mit der Fortführung der Unternehmenstätigkeit, sofern einschlägig, anzugeben. Darüber hinaus sind sie dafür verantwortlich, auf der Grundlage des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit zu bilanzieren, sofern dem nicht tatsächliche oder rechtliche Gegebenheiten entgegenstehen.

Außerdem sind die gesetzlichen Vertreter verantwortlich für die Aufstellung des Lageberichts, der insgesamt ein zutreffendes Bild von der Lage der Gesellschaft vermittelt sowie in allen wesentlichen Belangen mit dem Jahresabschluss in Einklang steht, den deutschen gesetzlichen Vorschriften entspricht und die Chancen und Risiken der zukünftigen Entwicklung zutreffend darstellt. Ferner sind die gesetzlichen Vertreter verantwortlich für die Vorkehrungen und Maßnahmen (Systeme), die sie als notwendig erachtet haben, um die Aufstellung eines

Lageberichts in Übereinstimmung mit den anzuwendenden deutschen gesetzlichen Vorschriften zu ermöglichen, und um ausreichende geeignete Nachweise für die Aussagen im Lagebericht erbringen zu können.

## **Verantwortung des Abschlussprüfers für die Prüfung des Jahresabschlusses und des Lageberichts**

Unsere Zielsetzung ist, hinreichende Sicherheit darüber zu erlangen, ob der Jahresabschluss als Ganzes frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist, und ob der Lagebericht insgesamt ein zutreffendes Bild von der Lage der Gesellschaft vermittelt sowie in allen wesentlichen Belangen mit dem Jahresabschluss sowie mit den bei der Prüfung gewonnenen Erkenntnissen in Einklang steht, den deutschen gesetzlichen Vorschriften entspricht und die Chancen und Risiken der zukünftigen Entwicklung zutreffend darstellt, sowie einen Bestätigungsvermerk zu erteilen, der unsere Prüfungsurteile zum Jahresabschluss und zum Lagebericht beinhaltet.

Hinreichende Sicherheit ist ein hohes Maß an Sicherheit, aber keine Garantie dafür, dass eine in Übereinstimmung mit § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durchgeführte Prüfung eine wesentliche falsche Darstellung stets aufdeckt. Falsche Darstellungen können aus Verstößen oder Unrichtigkeiten resultieren und werden als wesentlich angesehen, wenn vernünftigerweise erwartet werden könnte, dass sie einzeln oder insgesamt die auf der Grundlage dieses Jahresabschlusses und Lageberichts getroffenen wirtschaftlichen Entscheidungen von Adressaten beeinflussen.

Während der Prüfung üben wir pflichtgemäßes Ermessen aus und bewahren eine kritische Grundhaltung. Darüber hinaus

- identifizieren und beurteilen wir die Risiken wesentlicher – beabsichtigter oder unbeabsichtigter – falscher Darstellungen im Jahresabschluss und im Lagebericht, planen und führen Prüfungshandlungen als Reaktion auf diese Risiken durch sowie erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unsere Prüfungsurteile zu dienen. Das Risiko, dass wesentliche falsche Darstellungen nicht aufgedeckt werden, ist bei Verstößen höher als bei Unrichtigkeiten, da Verstöße betrügerisches Zusammenwirken, Fälschungen, beabsichtigte Unvollständigkeiten, irreführende Darstellungen bzw. das Außerkraftsetzen interner Kontrollen beinhalten können.
- gewinnen wir ein Verständnis von dem für die Prüfung des Jahresabschlusses relevanten internen Kontrollsystem und den für die Prüfung des Lageberichts relevanten Vorkehrungen und Maßnahmen, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit dieser Systeme der Gesellschaft abzugeben.
- beurteilen wir die Angemessenheit der von den gesetzlichen Vertretern angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der von den gesetzlichen Vertretern dargestellten geschätzten Werte und damit zusammenhängenden Angaben.

- ziehen wir Schlussfolgerungen über die Angemessenheit des von den gesetzlichen Vertretern angewandten Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit sowie, auf der Grundlage der erlangten Prüfungsnachweise, ob eine wesentliche Unsicherheit im Zusammenhang mit Ereignissen oder Gegebenheiten besteht, die bedeutsame Zweifel an der Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit aufwerfen können. Falls wir zu dem Schluss kommen, dass eine wesentliche Unsicherheit besteht, sind wir verpflichtet, im Bestätigungsvermerk auf die dazugehörigen Angaben im Jahresabschluss und im Lagebericht aufmerksam zu machen oder, falls diese Angaben unangemessen sind, unser jeweiliges Prüfungsurteil zu modifizieren. Wir ziehen unsere Schlussfolgerungen auf der Grundlage der bis zum Datum unseres Bestätigungsvermerks erlangten Prüfungsnachweise. Zukünftige Ereignisse oder Gegebenheiten können jedoch dazu führen, dass die Gesellschaft ihre Unternehmenstätigkeit nicht mehr fortführen kann.
- beurteilen wir die Gesamtdarstellung, den Aufbau und den Inhalt des Jahresabschlusses einschließlich der Angaben sowie ob der Jahresabschluss die zugrunde liegenden Geschäftsvorfälle und Ereignisse so darstellt, dass der Jahresabschluss unter Beachtung der deutschen Grundsätze ordnungsmäßiger Buchführung ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt.
- beurteilen wir den Einklang des Lageberichts mit dem Jahresabschluss, seine Gesetzesentsprechung und das von ihm vermittelte Bild von der Lage der Gesellschaft.
- führen wir Prüfungshandlungen zu den von den gesetzlichen Vertretern dargestellten zukunftsorientierten Angaben im Lagebericht durch. Auf Basis ausreichender geeigneter Prüfungsnachweise vollziehen wir dabei insbesondere die den zukunftsorientierten Angaben von den gesetzlichen Vertretern zugrunde gelegten bedeutsamen Annahmen nach und beurteilen die sachgerechte Ableitung der zukunftsorientierten Angaben aus diesen Annahmen. Ein eigenständiges Prüfungsurteil zu den zukunftsorientierten Angaben sowie zu den zugrunde liegenden Annahmen geben wir nicht ab. Es besteht ein erhebliches unvermeidbares Risiko, dass künftige Ereignisse wesentlich von den zukunftsorientierten Angaben abweichen.

Wir erörtern mit den für die Überwachung Verantwortlichen unter anderem den geplanten Umfang und die Zeitplanung der Prüfung sowie bedeutsame Prüfungsfeststellungen, einschließlich etwaiger Mängel im internen Kontrollsystem, die wir während unserer Prüfung feststellen.

Frankfurt am Main, den 12. Mai 2020

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:**

*"Independent Auditor's Report*

To the reifencom GmbH, Hanover,

### **Audit Opinions**

We have audited the annual financial statements of reifencom GmbH, Hanover, which comprise the balance sheet as at 31 March 2020, and the statement of profit and loss for the financial year from 1 April 2019 to 31 March 2020, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management of reifencom GmbH, Hanover, for the financial year from 1 April 2019 to 31 March 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to section 289f paragraph 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2020 and of its financial performance for the financial year from 1 April 2019 to 31 March 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal re-

requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

### **Basis for the Audit Opinions**

We conducted our audit of the annual financial statements and of the management report in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

### **Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report**

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have

considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

### **Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained,

whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Frankfurt am Main, 12 May 2020

Warth & Klein Grant Thornton AG  
Wirtschaftsprüfungsgesellschaft

Robert Binder  
Wirtschaftsprüfer  
[German Public Auditor]

Maximilian Meyer zu Schwabedissen  
Wirtschaftsprüfer  
[German Public Auditor]

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 – which comprise the balance sheet as at 31 March 2020, the statement of profit and loss for the financial year from 1 April 2019 to 31 March 2020, and the notes to the annual financial statements, including the presentation of the recognition and measurement policies – together with the bookkeeping system and the management report of the Company for the financial year from 1 April 2019 to 31 March 2020.

The annual financial statements and the management report have been prepared on the basis of the German commercial law applicable to business corporations including the relevant regulations of the GmbHG [Gesetz betreffend die Gesellschaften mit beschränkter Haftung: German Limited Liability Company Act]

Regarding the responsibilities of the executive directors of the Company related to the preparation of the annual financial statements and the management report we refer to the explanations given in our auditor's report which is reproduced in section 3 of this report. The responsibility of the executive directors also comprises responsibility for the Company's bookkeeping.

Our objective is to assess the annual financial statements including the bookkeeping and the management report as well as the disclosures made within the course of an audit performed in compliance with German Generally Accepted Standards for Financial Statement Audits. Our respective responsibilities are explained in the section "Audit opinions" and in the section "Auditor's responsibilities for the audit of the annual financial statements and of the management report" of our auditor's report.

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, an examination as to whether the ability of the Company as a going concern or whether the effectiveness and efficiency of the Company's management can be guaranteed is not required to be included in the audit.

### 4.2. Nature and extent of the audit

We conducted our audit in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany] (IDW).

Regarding the objectives of our audit and the essential principles of conducting our audit we refer to the explanations given in the section "Auditor's responsibilities for the audit of the annual financial statements and of the management report" of our auditor's report.

The audit was planned and performed by taking a risk-oriented approach. Based on this approach, we derived the nature and extent 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). 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:

- Occurrence of revenues
- Existence, accuracy and valuation of inventories
- Plausibility check of the forward-looking statements in the management report
- Plausibility check of the opportunities and risks presented in the management report

Our audit plan determining nature, timing and extent of our audit procedures was designed to address these critical assertions and matters. 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 including tests of detail and analytical procedures have been performed. Both tests of controls and tests of detail were performed on the basis of testing every item, audit sampling or the selection of specific items.

Starting point for our audit were the annual financial statements and the management report for the prior financial year from 1 April 2018 to 31 March 2019, on which we issued an unqualified audit opinion and which were approved by the shareholders' meeting on 25 June 2019.

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.

On January 11 and January 18, 2020, the Company carried out annual inventory counts in the branches, on which we have participated in some branches.

As part of the liabilities, we have obtained balance confirmations from suppliers in random samples and, in the area of provisions, from all of the company's lawyers and tax advisors confirming the company's claims and obligations. Confirmations were also obtained as part of the audit of the company's credit balances and liabilities to banks.

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.

We performed our audit work with interruptions from beginning of April to 12 May 2020.

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

## 5. Findings and explanations on the financial reporting

### 5.1. Compliance of the financial reporting

#### 5.1.1. Bookkeeping and other audited documents

The Company's books and records are maintained in a proper manner.

In our opinion, on the basis of the knowledge obtained in the audit, the bookkeeping and the other audited documents comply, in all material respects, with the statutory provisions and with the German Legally Required Accounting Principles throughout the reporting period; the information drawn from the other audited documents are, in all material respects, properly reflected in the books and records, the annual financial statements and the management report.

#### 5.1.2. Annual financial statements

In our opinion, on the basis of the knowledge obtained in our audit, the annual financial statements of reifencom GmbH for the financial year from 1 April 2019 to 31 March 2020 attached to this report as Appendix 1 to Appendix 3 comply, in all material respects, with the requirements of German commercial law applicable to business corporations including applicable regulations of the GmbHG.

In our opinion, on the basis of the knowledge obtained in our audit

- the balance sheet and the statement of profit and loss were duly derived from the books and records and from the further audited documents,
- in all material respects, the legal requirements regarding classifications, recognition and measurement have been observed, and
- in all material respects, the disclosures made in the notes to the financial statements are complete and accurate.

The company has not included a tax reconciliation in its notes in accordance with DRS 18, paragraph 67. In our opinion, there is no legal obligation to present a reconciliation according to DRS 18, paragraph 67. Accordingly, we have not objected this.

#### 5.1.3. Management report

In our opinion, on the basis of the knowledge obtained in our audit, the management report of reifencom GmbH for the financial year from 1 April 2019 to 31 March 2020 attached to this report as Appendix 4 complies, in all material respects, with the legal requirements.

Regarding further details of our audit opinion on the management report we refer to the explanations given in the section "Audit opinions" of our auditor's report.

## **5.2. Overall financial statements presentation**

### **5.2.1. Statement on the overall financial statements presentation**

In our opinion, on the basis of the knowledge obtained in our audit, the annual financial statements of reifencom GmbH, audited by us and attached to this report as Appendix 1 to Appendix 3, give a true and fair view of its assets, liabilities, financial position as at 31 March 2020 and of its financial performance for the financial year from 1 April 2019 to 31 March 2020 in compliance with German Legally Required Accounting Principles.

### **5.2.2. Valuation principles and transactions with a significant impact**

#### **5.2.2.1. Material valuation principles**

The recognition and measurement methods and further material valuation principles are presented in Appendix 3. Compared with the prior year, no changes of recognition and measurement methods were made.

#### **5.2.2.2. Transactions with significant impact**

Transactions not included in the balance sheet (off-balance-sheet transactions) with significant impact on the overall presentation of the annual financial statements are presented in the notes to the annual financial statements (Appendix 3). In our assessment, on the basis of the knowledge obtained in our audit, further transactions with significant impact did not occur.

## 6. Schlussbemerkungen

Verantwortliche Prüfungspartner im Sinne der Berufssatzung WP/vBP sind Herr WP Maximilian Meyer zu Schwabedissen – als für die Auftragsdurchführung vorrangig verantwortlich – und Herr WP Robert Binder als weiterer verantwortlicher Prüfungspartner.

Diesen Bericht über die Prüfung des Jahresabschlusses und des Lageberichts der reifencom GmbH, Hannover, für das Geschäftsjahr vom 1. April 2019 bis zum 31. März 2020 haben wir in Übereinstimmung mit den gesetzlichen Vorschriften und den Grundsätzen ordnungsmäßiger Erstellung von Prüfungsberichten (IDW PS 450 n.F.) erstattet.

Der von uns erteilte Bestätigungsvermerk ist in Abschnitt 3 dieses Berichts wiedergegeben.

Frankfurt am Main, den 12. Mai 2020

Warth & Klein Grant Thornton AG  
Wirtschaftsprüfungsgesellschaft

  
Robert Binder  
Wirtschaftsprüfer

  
Maximilian Meyer zu Schwabedissen  
Wirtschaftsprüfer



## **Appendix 1**





## **Appendix 2**

**reifencom GmbH**  
Hanover

**Profit and Loss statement**  
for the period from April 01, 2019 to March 31, 2020

	31.03.2020		31.03.2019	
	EUR	EUR	kEUR	kEUR
1. Sales revenue		164.656.670,18		160.653
2. Other work capitalized		75.272,54		129
3. Other operating income		855.098,91		1.551
- thereof of exchange rates EUR 20.263,98 (prior year TEUR 61)				
4. Cost of materials				
a) Costs for raw materials, consumables and supplies and of purchased merchandise	-116.111.222,67		-113.562	
b) Cost of purchased services	-358.999,07		-176	
		-116.470.221,74		-113.738
5. Personnel costs				
a) Wages and salaries	-17.774.826,38		-16.981	
b) Social security contributions and expenses for pensions schemes and support	-3.520.009,95		-2.723	
- thereof for pensions: EUR 24.182,71 (prior year kEUR -541)				
		-21.294.836,33		-19.704
6. Depreciation of property, plant and equipment		-1.963.836,67		-2.496
7. Other operating expenses		-25.594.345,25		-25.871
- thereof of exchange rates EUR 154.689,44 (prior year kEUR 128)				
8. Other interest and similar income		25.527,02		30
9. Other interest and similar expenses		-205.532,41		-261
- thereof from discounting EUR 45.865,23 (prior year kEUR 68)				
10. Taxes on income and profit		-369.917,66		-217
- thereof deferred taxes EUR 129.349,88 (prior year kEUR 0)				
<b>11. Result after taxes</b>		<b>-286.121,41</b>		<b>76</b>
12. Other taxes		-19.464,13		-15
<b>13. Annual net profit</b>		<b>-305.585,54</b>		<b>61</b>

## **Appendix 3**

**reifencom GmbH**  
**Südfeldstraße 16, 30453 Hannover**

**Notes to the annual financial statements as at March 31, 2020**

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**I. General data about the Financial Statement**

The annual financial statements as of 31 March 2020 of reifencom GmbH, Hanover, registered at Hanover Local Court under HRB 217313 (hereinafter referred to as reifencom) have been prepared in EUR in accordance with the provisions of sections 264 et seq. of the German Commercial Code (HGB) as amended by the German Accounting Directive Implementation Act (BilRUG) and the German Limited Liability Companies Act (GmbHG).

The company is a large corporation within the meaning of Section 267 (4) sentence 2 HGB.

The annual financial statements were prepared on the basis of the statutory provisions. The previous year's figures are shown in thousands of euros and in brackets and reflect the figures in the individual financial statements of reifencom.

**II. 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	2-15	6.67-50	linear
other facilities, business or company equipment	1-15	6.67-100	linear

The low-value assets with acquisition/production costs of more than EUR 250.00 to EUR 800.00 acquired in the fiscal year 2019/20 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 2019/20, reference is made to the Assets Analysis on page 4 of the notes.

#### 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.

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. The calculation of deferred taxes is made on the basis of the combined income tax rate of currently 35.00 %. 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 2018 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 2.60 % (previous year: 3.07 %) 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. The interest rate for discounting the provision is between 0.6% and 1.52% based on 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.

**reifencom GmbH**  
**Development of the Fixed Assets 2019/20 (Assets Analysis)**

	Acquisition/ production costs				Value adjustments/ write-downs				Carrying amounts	
	Effective 1.04.2019	Additions	Disposals	Merger Rebookings	Effective 1.04.2019	Additions	Disposals	Effective 31.03.2020	Effective 31.03.2019	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>I. Intangible assets</b>										
1. paid concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	9.172.151,83	438.596,23	0,00	100.267,76	6.976.946,09	1.080.086,73	0,00	8.057.034,82	1.653.983,00	2.195.203,74
2. Advance payments	1.618.753,71	1.448.941,13	0,00	-100.267,76	550.936,99	0,00	0,00	550.936,99	2.416.490,09	1.067.816,72
	<u>10.790.905,54</u>	<u>1.887.539,36</u>	<u>0,00</u>	<u>0,00</u>	<u>7.527.885,08</u>	<u>1.080.086,73</u>	<u>0,00</u>	<u>8.607.971,81</u>	<u>4.070.473,09</u>	<u>3.263.020,46</u>
<b>II. Fixed assets</b>										
1. Land, leasehold rights and buildings including buildings on third-party land	8.141.168,23	104.367,45	9.057,73	0,00	4.279.126,75	305.553,45	5.466,73	4.579.213,47	3.657.254,48	3.862.031,48
2. Technical equipment and machinery	2.437.332,94	230.579,99	14.246,29	0,00	1.731.967,94	107.633,98	11.664,29	1.827.937,63	825.727,00	705.365,00
3. other assets, factory and office equipment	4.812.189,56	603.116,51	123.160,70	0,00	3.384.277,56	470.562,51	107.635,70	3.747.004,37	1.545.143,00	1.427.912,00
4. Advance payments and investments under construction	0,00	125.889,89			0,00			0,00	125.889,89	0,00
	<u>15.390.690,73</u>	<u>1.063.955,89</u>	<u>146.465,72</u>	<u>0,00</u>	<u>9.395.372,25</u>	<u>883.749,94</u>	<u>124.966,72</u>	<u>10.154.155,47</u>	<u>5.154.014,37</u>	<u>5.995.308,48</u>
<b>III. Long-term financial assets</b>										
1. Shares in affiliated companies	104.936,52	0,00	0,00	0,00	0,00	0,00	0,00	0,00	104.936,52	104.936,52
2. Other financial assets	262.034,58	0,00	4.994,58	0,00	0,00	0,00	0,00	0,00	257.040,00	262.034,58
	<u>366.971,10</u>	<u>0,00</u>	<u>4.994,58</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>361.976,52</u>	<u>366.971,10</u>
	<u>26.548.557,37</u>	<u>2.951.495,19</u>	<u>151.461,30</u>	<u>0,00</u>	<u>16.923.257,33</u>	<u>1.963.836,67</u>	<u>124.966,72</u>	<u>18.752.127,28</u>	<u>10.596.463,98</u>	<u>9.625.300,04</u>

### Financial Assets

The company holds the following shares in affiliated companies:

	Shareholding <u>quota</u> %	Equity <u>—</u> KEUR	Result of the <u>fiscal year</u> KEUR
reifencor Tyre (Qingdao) Co. Ltd.	100.0	0	8

Financial assets are valued at acquisition cost. Write-downs to the lower fair value are made if the impairment is permanent.

### Claims and other Assets

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

Of the receivables from affiliated companies, KEUR 198 (previous year: KEUR 221) relate to trade receivables and trade payables.

### Deferred Taxes

The company has made use of its option to capitalize deferred tax assets.

They are essentially based on different valuations of the pension provision and the goodwill recognised for tax purposes from an interim valuation as part of the merger as at 31 March 2018. The valuation was based on a tax rate of 35 %.

### 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 KEUR 1,236 (previous year: KEUR 1,134) arose as of March 31st, 2020. This value was calculated with the fair value of the reinsurance policies as of March 31st, 2020 amounting to KEUR 1,719 (previous year: KEUR 1,669) and the balance was shown as asset offsetting in the amount of KEUR 492 and a provision for pensions and similar obligations in the amount of KEUR 9. In the previous year, the balance was shown as a difference on the assets side from the offsetting of assets in the amount of KEUR 536.

The discount amount of the pension provisions resulting from this amounting to KEUR 95 is balanced under the position "Other interest and similar expenses" together with the interest income from the assets amounting to KEUR 49.



Equity

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

The net loss as of March 31st, 2020 amounting to KEUR -306 (previous year profit of the year KEUR 61) 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 1,833

In detail the total amount is determined as follows:

	KEUR
Capitalisation of internally generated intangible assets	75
Fair value of the active difference from the asset offsetting that is higher than the acquisition costs	482
Difference according to § 253 paragraph 6 sentence 1 HGB (Interest adjustment effect pension provision)	100
Recognition of deferred taxes	1,176
	<u>1,833</u>

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.

Provisions

The other provisions consist of the following individual provisions:

	2019/2020	2018/2019
	KEUR	KEUR
Holiday pay/bonus/ Time accounts	451	422
Trade association	229	106
Commitments arising from rental contracts	225	216
Outstanding invoices	170	140
Bonus	131	147
Guarantees	112	158
Preparation and audit costs	93	94
Archiving costs	93	93
Countervailing charge	19	91
Others	5	4
	1,528	1,470

Liabilities

Liabilities towards credit institutions in the amount of KEUR 13,634 (previous year: KEUR 11,572) are secured by land charges and maximum amount guarantees.

Liabilities to affiliated companies in the amount of KEUR 4,568 (previous year: KEUR 6,902 thousand) represent trade payables.

Liabilities include KEUR 509 (previous year: KEUR 640) with a remaining term of more than five years and KEUR 319 (previous year: KEUR 313) with a remaining term of one to five years.

#### IV. Information about the Profit and Loss Account

##### Sales

The sales are divided into the following:

	<u>2019/20</u>	<u>2018/19</u>
	KEUR	KEUR
Tyres	117,827	112,841
Rims	22,373	22,535
Accessories	4,366	4,585
Services, car service, others	20,091	20,692
	<u>164,657</u>	<u>160,653</u>

Breakdown by geographic market:

	<u>2019/20</u>	<u>2018/19</u>
	KEUR	KEUR
Germany	151,454	148,535
EU (without Germany)	6,502	6,479
Other Europe	6,701	5,640
	<u>164,657</u>	<u>160,653</u>

##### Other operating income

The other operating income includes non-period income amounting to KEUR 154 from excess payment as well as KEUR 50 from reversed provisions.

##### Personnel expense

The expense from the increase in pension provisions in the amount of KEUR 7 (previous year: income of KEUR 557) is reported under personnel expenses.

##### Other operating expenses

The other operating expenses are mainly composed of rental expenses, costs of goods distribution and e-marketing. Other operating expenses also include non-period expenses in the amount of KEUR 107.

Interest expense

The income from the increase in the asset value of the reinsurance policies in the amount of KEUR 49 (previous year: KEUR 53) is reported under interest expenses together with expenses from the compounding of interest on provisions in the amount of KEUR 95 (previous year: KEUR 121).

**V. Other information**Contingent Liabilities

There were no contingent liabilities on the balance sheet date.

Other Financial Obligations

The other financial obligations amount to KEUR 20,440 (previous year: KEUR 23,475). They are due in the following years.

	Total	Maturity		
		< 1 year	1 - 5 years	> 5 year
	KEUR	KEUR	KEUR	KEUR
Rental contracts	19,756	5,240	12,489	2,027
(in the previous year)	22,589	5,148	14,591	2,851
Leasing contracts	684	310	374	0
(in the previous year)	886	439	447	0
<b>Total</b>	<b>20,440</b>	<b>5,550</b>	<b>12,863</b>	<b>2,027</b>
<b>(in the previous year)</b>	<b>23,475</b>	<b>5,586</b>	<b>15,038</b>	<b>2,851</b>

These are obligations from rental contracts for the different branches, the administration and the central warehouse as well as obligations from leasing contracts.

### Information about the Employees

The average number of employees is:

	<u>Total</u>	<u>Previous year</u>
Employees	491	476
Executive manager	<u>3</u>	<u>5</u>
	<u>494</u>	<u>481</u>

### Executive Manager

Executive managers are:

- Mr. Ralf Strelen, Isernhagen, (Diplom- merchant FH ), Executive manager (Department Sales Branch and Customer Service)
- Mr. Michael Härle, Isernhagen, (Diplom- merchant FH ), Executive manager (Department Sales, Ecom, Logistics, Marketing and IT)
- Mr. Abhishek Bisht, London/ Great Britain (Global Head - New Markets & Channels of Apollo Tyres UK Pvt Ltd), Executive manager (Department strategic orientation)

Use is made of the protection clause pursuant to Section 286 (4) of the German Commercial Code (HGB), as the disclosure of the remuneration of the executive bodies makes it possible to determine the remuneration of individual members of management.

For former managing directors, pension obligations amounting to EUR 1,162 are shown netted with the provision claims amounting to EUR 1,654 under the asset difference from asset offsetting.

### Parent Company

Reifencom 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 consolidated financial statements are published on the website of Apollo Tyres Ltd, India, [www.corporate.apollotyres.com](http://www.corporate.apollotyres.com) under the heading Investors.

Nachtragsbericht

Vorgänge von besonderer Bedeutung nach Ende des Geschäftsjahres zum 31. März 2020 sind nicht zu verzeichnen.

Hannover, den 12. Mai 2020

  
.....  
Geschäftsführer Michael Härle

  
.....  
Geschäftsführer Ralf Strelen

  
.....  
Geschäftsführer Abhishek Bisht

## **Appendix 4**

**reifencom GmbH**  
**Südfeldstrasse 16, 30453 Hannover**  
**Management Report for the Financial Year 2019/2020**

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**A. Foundations of the Company**

The object of the company is the trade with and the fitting of tyres, rims and accessories. With over 600,000 customers annually and currently 37 branches, reifencom GmbH (hereinafter referred to as reifencom) is active in the tire service sector. Furthermore, reifencom operates a central warehouse in Hildesheim and provides logistics services.

The following branches of reifencom existed on the balance sheet date:

Aachen  
Berlin-Marzahn  
Berlin-Spandau  
Berlin-Weissensee  
Bielefeld  
Bonn  
Braunschweig  
Bremen Stuhr  
Castrop-Rauxel  
Celle  
Dortmund  
Dresden  
Duisburg  
Dusseldorf  
Essen  
Frankfurt a. M.-Bockenheim  
Frankfurt a. M.-Fechenheim  
Hamburg-Bramfeld  
Hamburg-Wandsbek  
Hameln  
Hanover-Bornum  
Hanover-Vahrenheide  
Kassel  
Cologne-Hahnwald  
Cologne-Ossendorf  
Leipzig  
Mainz



Mühlheim  
Munich-Aubing  
Munich-Milbertshofen  
Münster  
Nuremberg-Höfen  
Nuremberg-Langwasser  
Osnabrück  
Paderborn  
Verl  
Wuppertal

Reifencom does not operate in research and development.

## **B. Economic Report**

### **1. Macroeconomic General Conditions**

The emerging corona pandemic at the end of the 2019/2020 financial year has led to a downturn both in the economy as a whole and in the industry.

As in previous years, the German economy was able to further expand its positive development. According to the German Federal Statistical Office, gross domestic product (GDP) rose by 0.6% in 2019 due to price factors, but was thus below the growth rates of previous years. In its economic forecast for 2020, the Council of Economic Experts expects a reduction of only -2.8% in German GDP due to the spread of the novel corona virus. Overall, government consumer spending in 2019 will continue to rise year-on-year by around 0.5%. Private consumer spending in Germany also continued to grow in 2019.

The good starting position of the overall economic conditions also contributed to the continued positive change in the unemployment rate of 5.0%.

### **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 1.6% to a total of 65.8 million vehicles in the reference period. In response to the corona pandemic, declining sales figures were observed on the market from March 2020.

In million pieces	Passenger cars	Light trucks	Motor cycles	Others	Total
2019	47,1	3,1	4,4	10,2	64,8
2020	47,7	3,3	4,5	10,3	65,8

Source: German Federal Motor Transport Authority (Kraftfahrtbundesamt) (Vehicle stock as of January 1st, 2020)

In the passenger car segment the sales figures increased by 1.3% to 47.7 million vehicles. This increase can mainly be traced back to the increase of SUVs.

Despite to the increase of the vehicle stock described above, the total turnover of replacement tyres showed a slight decrease in sales by 3.5% to 53.3 million tyres in the fiscal year 2018 according to the German Tyre Retail and Vulcanization Trade Association (Bundesverband Reifenhandel und Vulkaniseur-Handwerk, BRV e.V., Bonn).

There was a slight increase of the sales figures from 46.7 million to 44.8 million pieces in reifencom's main sales segment of passenger car tyres. Just the all-season tyre segment had higher sales figures. They decreased about 13%. Consequently it's market share is at approximately 23%.

The market for commercial vehicle tires for light trucks could not completely escape the negative trend. Sales of light truck tires (trucks) declined by -0.8% to 3.7 million in 2019 (2018: 3.7 million).

For 2020, the BRV predicts a slight overall decline of -0.2% in the tyre replacement business for passenger car tyres. However, it should be noted that the latest developments in connection with the spread of the corona virus mean that the forecast has not yet been adjusted. Nevertheless, the management still expects sales to increase.

### 3. Business Trend

#### General Business Development

The business activities of reifencom are influenced by seasonal influences in the area of tyre purchases / changes. In total, gross profit increased by KEUR 1,272 to KEUR 48,186. Gross profit is defined as sales revenue less cost of materials. Due to increasing sales costs, the EBIT decreased by KEUR 264 to KEUR 244.

## Sales development

The sales increased in the financial year 2019/20 compared to the previous year.

The sales are divided into the following:

	<u>2019/20</u>	<u>2018/19</u>
	KEUR	KEUR
Tyres	117,827	112,841
Rims	22,373	22,535
Accessories	4,366	4,585
Services, car service, others	20,091	20,692
	<u>164,657</u>	<u>160,653</u>

Breakdown by geographic market:

	<u>2019/20</u>	<u>2018/19</u>
	KEUR	KEUR
Germany	151,454	148,535
EU (without Germany)	6,502	6,479
other Europa	6,701	5,640
	<u>164,657</u>	<u>160,653</u>

## Procurement

The availability of goods was ensured throughout the year. Purchase prices rose further compared to the previous year due to the changed product mix in the main segments of car tyres and rims.

As in previous years, reifencom GmbH endeavours to have sufficient stock in its branches and central warehouse for seasonal reasons 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 central warehouse in Hildesheim.

## Investments

In the reporting year investments in the ballpark of KEUR 2,951 (previous year: KEUR 2,991) were made into the fixed assets (without financial assets).

**The majority of these investments were made for purchased software, software adaptations and operating and office equipment.**

### **Financing**

The equity ratio is 5.1% (previous year: approx. 6.2%). The decline is due to the increased total capital and the net loss for the year.

Bank liabilities amounted to KEUR 13,634 (previous year: KEUR 11,572) as of the balance sheet date, of which KEUR 508 (2018: KEUR 640) relate to longer-term financing of real estate investments (Hamburg branch).

The Company has committed but unutilized credit lines in the amount of 13.8 million EUR.

### **Personnel and Social Area**

There were an average of 494 persons (previous year: 481) employed.

Since seasonal peaks cannot be handled exclusively by the company's own employees, additional external labour was used - as in previous years - particularly in the assembly area.

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

	2019/20	2018/19
	KEUR	KEUR
<b>Gross Profit</b>	<b>48,186</b>	<b>46,914</b>
Operating expense	-48,038	-46,691
<b>Operating Result</b>	<b>148</b>	<b>223</b>
Financial result	-180	-230
Neutral result	96	286
<b>Earnings before tax</b>	<b>64</b>	<b>278</b>
Taxes on income	-370	-217
<b>Annual result</b>	<b>-306</b>	<b>61</b>

The gross profit amounts to KEUR 48,186. The increase in gross profit by around 2.7% is mainly due to the 2.5% increase in sales.

Operating expenses (personnel expenses, depreciation of fixed assets, other operating expenses less other operating income and other taxes) include in particular personnel expenses and other operating expenses and increased in the fiscal year, in particular due to higher personnel expenses (+ EUR 1.6 million). This is mainly due to a higher number of permanent employees compared to the previous year and higher expenses for retirement benefits.

The outlined business trend leads to an operating result of KEUR 148 (previous year: KEUR 223)

The negative financial result mainly stems from the interest charges on a long-term mortgage loan as well as and the utilisation of seasonal credit lines.

The tax expenses of KEUR 370 include tax charges from previous years (KEUR 232)

Overall, the net result for the year fell by KEUR 367 to KEUR -306 compared with the 2018/19 financial year.

## Financial Situation

The cash flow statement shows the following summarized figures:

	<u>2019/20</u>	<u>2018/19</u>
	KEUR	KEUR
Cashflow from current business operations	-387	1,959
Cashflow from investment activity	-2,876	-72
Cashflow from financing activity	-404	338
Cash and cash equivalents at end of period	1,734	3,143
Liabilities to banks due at any time (-)	-12,806	-10,548
Financial resources at the end of the period	-11,072	-7,405

The reduction in cash flow from operating activities is due in particular to the increase in inventories.

The cash flow from investing activities was mainly influenced by investments in fixed assets.

The negative cash flow from financing activities includes interest and repayment charges on the loans granted.

## Financial Situation

	31.03.2020		31.03.2019	
	KEUR	%	KEUR	%
Long-term assets	11,323	24.1	10,406	23.3
Medium- and short-term assets	35,731	75.9	34,296	76.7
<b>Total assets</b>	<b>47,054</b>	<b>100</b>	<b>44,702</b>	<b>100</b>
<hr/>				
Equity	2,420	5.1	2,726	6.1
Long-term loan capital	709	1.5	756	1.7
Medium- and short-term loan capital	43,925	93.3	41,220	92.2
<b>Total capital</b>	<b>47,054</b>	<b>100</b>	<b>44,702</b>	<b>100</b>

The long-term assets mainly consist of fixed assets (KEUR 6,154) and intangible assets (KEUR 4,070). Changes resulted mainly from the annual depreciation of fixed assets and additions to fixed assets.

Further pension obligations amounting to KEUR 1,163 exist. These are represented as long-term assets together with the reinsurance claims (KEUR 1,654) according to § 246 paragraph 2 HGB.

Regarding the medium- and short-term assets the inventories stand out as they make up about 58% of the balance sheet total. By 31.03.2020 the stock of tyres and rims was slightly increased compared to the previous year.

Trade receivables have fallen in comparison with the previous year's figures. On the reporting date 31 March 2020, these amounted to KEUR 3,160, compared to KEUR 3,402 in the previous year.

By comparison, cash and cash equivalents decreased by KEUR 1,408 to KEUR 1,734. They thus account for around 4% of the balance sheet total.

Non-current liabilities include a bank loan for the financing of an acquired property.

Equity is reported at around EUR 2.4 million. The equity ratio is 5.1% (previous year: 6.1%). In addition, liabilities to banks in the amount of EUR 13.1 million as well as trade payables (EUR 23.8 million) and liabilities to affiliated companies (EUR 4.6 million) are also included in medium and short-term liabilities. These rose by a total of EUR 2.3 million due to higher inventories.

### **Financial performance indicators**

For reifencom, sales represent the most important performance indicator for the management of business activities.

### **Non-financial performance indicators**

The company has stable business relationships with B2B customers and suppliers. This is supplemented by business activities with end customers in the ecommerce sector.

reifencom GmbH is active in all areas to save resources and reduce emissions. This includes digitalization projects, active energy management at all locations and through targeted logistics management. There were no changes to the previous year in the year under review.

The motivation of our employees and the commitment to identify with reifen.com are the basis for our success. To this end, various employee campaigns were held in the past fiscal year, including a family party in connection with the 30th company anniversary, competitions and employee offers.

### **GENERAL STATEMENT**

In summary, the management considers the course of the fiscal year with the increased sales revenues and the slightly positive operating result to be satisfactory but capable of improvement. The forecast sales for the financial year of reifencom GmbH was around EUR 175 million, which was missed in particular due to lower B2B sales. The company is still confronted with strong competition and price pressure.

By continuing to focus on the sale of high-quality products, the company is attempting to further improve profitability.

## **C. Forecast, Chances and Risk Report**

Since the beginning of January 2020, a new type of coronavirus (Covid-19), which originated in China, has been spreading worldwide. This pandemic, which broke out towards the end of the financial year and continues beyond the reporting date, is an event of particular significance after the reporting date. Although it did not have a significant impact on business activities in the year under review, the exact impact cannot be reliably estimated. A sustained economic shutdown and existing initial restrictions may have an adverse effect on business activities. The Company has taken this into account in its forecast reporting and will take appropriate measures to anticipate the effects on business activities.



## 1. Forecast Report

The forecasts resulting from the economic situation do not only represent risks for reifencom GmbH, but also opportunities. The strategic orientation of serving the market through various channels that combine stationary trade with digital media continues to offer competitive advantages. Various "pure players", which have either focused on the pure digital sale of tyres and wheels or wholesalers, which have focused on volume business in the B2B sector, have either ceased operations in 2019/2020 or are in difficult situations. We are committed to continuously expanding our expert knowledge and services relating to tyres and wheels, which our customers can access at any time in person, digitally or over the phone. For the financial year 2020/21, we are expecting rising purchase prices and rising sales revenues.

We continue to look to the future with optimism. The company processes were put to the test in 2019/20 and we expect efficiency increases and cost reductions in the future as a result of the merger carried out on 31.03.2018.

Despite the continued contact ban in Germany at the beginning of our new fiscal year 2020/21, we were able to increase sales in April 2020 significantly compared to the previous year and also exceed the planned sales for April 2020. We achieved this in particular through increases in the Ecommerce segment. We observe the changes in connection with the corona pandemic on a daily basis and act accordingly to protect our employees and customers. In addition, we are also taking appropriate action in our cost structure. We are planning an increase in sales of between 2% and 8% for the year 2020/21. More precise estimates are not possible due to the uncertainties arising from the corona pandemic and its effects on business activities.

The past has shown, however, that due to the weather dependency, especially in the winter tyre business, and the unclear economic development, a forecast is extremely difficult and involves considerable uncertainty.

However, the medium-term goal is still to increase the annual result compared to the previous year.

## 2. Chances and Risk Report

### Corona pandemic

The contact and curfew restrictions in Germany in connection with the corona pandemic have a particular impact on our branch business. A possible decline in sales would be the result if the contact ban were to be maintained or further tightened.

On the other hand, we offer our customers the opportunity to carry out all the necessary steps for tire procurement online in advance and to provide the necessary service locally through coordinated processes. The Omni Channel approach helps us to react to changes in a targeted manner and offers our customers a wide range of options in terms of ordering, payment and delivery.

### Consumer Climate

Following the increase in domestic consumer spending in Germany of 1.6% in 2019, the Council of Economic Experts expects a decline of -3.0% in 2020.

As reifencom GmbH is also dependent on the consumer climate, a restraint in consumption may also pose a risk to our sales development.

On the other hand, it is to be expected that a possible reluctance to buy will increase the demand for alternative choices of cheap to high-priced goods and services. As a full-range and omnichannel supplier, reifencom GmbH is well positioned in this respect.

In the past, reifencom GmbH has counteracted possible declines in sales resulting from changes in consumer behavior or falling prices by opening new stores and promoting Internet business.

By means of a central warehouse, the company improves the inventory situation in the branches and the Ecom Shops to such an extent that almost 100% availability of the goods requested by the customer is ensured. This will also compensate for any anticipated reluctance to buy on the part of consumers.

Additional new customers can also be acquired as a result of the growing trade on the Internet.

### Price Development for Raw Materials

Changes in raw material prices affect finished product prices with a delay of about 6 months. In addition to metals, oil-based raw materials and natural rubber are important raw materials for tire production. Due to the increase in raw material prices in 2019, a slight increase in purchase prices is expected in 2020/21. In addition, there is the effect of a tendency to demand for larger tires.

In order to be able to react to price changes by tire manufacturers in good time, we monitor price developments and adjust our purchasing policy accordingly.

### **Procurement of Goods**

The central warehouse in Hildesheim contributes to the reduction of the risk of a strong seasonal dependency of the industry and to 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 very strongly seasonal business, which is strongly dependent on the weather, especially in the 3rd quarter of the financial year. Despite the continuing increase in demand for all-season tyres, consumer behaviour remains unchanged in the "October to Eastern" periods.

### **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 central purchase 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.

The increasing consolidation in the European tire market should lead to a more stable pricing policy of the suppliers in the medium term. At present, however, a general oversupply of tires and new entries into the market provide a counterweight, which tends to lead to the familiar price fluctuations.

### **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**

The reifencom GmbH is a specialised supplier on a polypolish market with relatively low barriers to entry.

Further there is an increased market transparency due to the internet. Reifencom GmbH rises to this challenge. We can clearly influence the market with the web presence [www.reifen.com](http://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.

Derzeit sind keine Einzelrisiken bekannt, die den Bestand der reifencom GmbH gefährden. Auch die Summe möglicher und bekannter Risiken stellt keine Gefahr für den Fortbestand des Unternehmens dar. Wesentliche Änderungen an den Chancen bzw. Risiken wurden im Vergleich zum Vorjahr nicht gesehen.

Hannover, den 12. Mai 2020

reifencom GmbH, Hannover

  
.....  
Geschäftsführer Michael Härle

  
.....  
Geschäftsführer Ralf Strelen

  
.....  
Geschäftsführer Abhishek Bisht

## **Appendix 5**

## Independent Auditor's Report

To the reifencom GmbH, Hanover,

### Audit Opinions

We have audited the annual financial statements of reifencom GmbH, Hanover, which comprise the balance sheet as at 31 March 2020, and the statement of profit and loss for the financial year from 1 April 2019 to 31 March 2020, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management of reifencom GmbH, Hanover, for the financial year from 1 April 2019 to 31 March 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to section 289f paragraph 4 HGB [Handelsgesetzbuch: German Commercial Code] (disclosures on the quota for women on executive boards).

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2020 and of its financial performance for the financial year from 1 April 2019 to 31 March 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

### Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

[Note: This is a convenience translation of the German original.  
Solely the original text in German language is authoritative.]

## **Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report**

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

## **Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:



[Note: This is a convenience translation of the German original.  
Solely the original text in German language is authoritative.]

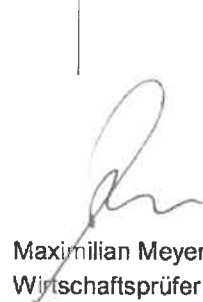
- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

Wir erörtern mit den für die Überwachung Verantwortlichen unter anderem den geplanten Umfang und die Zeitplanung der Prüfung sowie bedeutsame Prüfungsfeststellungen, einschließlich etwaiger Mängel im internen Kontrollsystem, die wir während unserer Prüfung feststellen.

Frankfurt am Main, den 12. Mai 2020

Warth & Klein Grant Thornton AG  
Wirtschaftsprüfungsgesellschaft

  
Robert Binder  
Wirtschaftsprüfer

  
Maximilian Meyer zu Schwabedissen  
Wirtschaftsprüfer



## **Appendix 6**

# Allgemeine Auftragsbedingungen

## für

### Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften

vom 1. Januar 2017

#### 1. Geltungsbereich

(1) Die Auftragsbedingungen gelten für Verträge zwischen Wirtschaftsprüfern oder Wirtschaftsprüfungsgesellschaften (im Nachstehenden zusammenfassend „Wirtschaftsprüfer“ genannt) und ihren Auftraggebern über Prüfungen, Steuerberatung, Beratungen in wirtschaftlichen Angelegenheiten und sonstige Aufträge, soweit nicht etwas anderes ausdrücklich schriftlich vereinbart oder gesetzlich zwingend vorgeschrieben ist.

(2) Dritte können nur dann Ansprüche aus dem Vertrag zwischen Wirtschaftsprüfer und Auftraggeber herleiten, wenn dies ausdrücklich vereinbart ist oder sich aus zwingenden gesetzlichen Regelungen ergibt. Im Hinblick auf solche Ansprüche gelten diese Auftragsbedingungen auch diesen Dritten gegenüber.

#### 2. Umfang und Ausführung des Auftrags

(1) Gegenstand des Auftrags ist die vereinbarte Leistung, nicht ein bestimmter wirtschaftlicher Erfolg. Der Auftrag wird nach den Grundsätzen ordnungsmäßiger Berufsausübung ausgeführt. Der Wirtschaftsprüfer übernimmt im Zusammenhang mit seinen Leistungen keine Aufgaben der Geschäftsführung. Der Wirtschaftsprüfer ist für die Nutzung oder Umsetzung der Ergebnisse seiner Leistungen nicht verantwortlich. Der Wirtschaftsprüfer ist berechtigt, sich zur Durchführung des Auftrags sachverständiger Personen zu bedienen.

(2) Die Berücksichtigung ausländischen Rechts bedarf – außer bei betriebswirtschaftlichen Prüfungen – der ausdrücklichen schriftlichen Vereinbarung.

(3) Ändert sich die Sach- oder Rechtslage nach Abgabe der abschließenden beruflichen Äußerung, so ist der Wirtschaftsprüfer nicht verpflichtet, den Auftraggeber auf Änderungen oder sich daraus ergebende Folgerungen hinzuweisen.

#### 3. Mitwirkungspflichten des Auftraggebers

(1) Der Auftraggeber hat dafür zu sorgen, dass dem Wirtschaftsprüfer alle für die Ausführung des Auftrags notwendigen Unterlagen und weiteren Informationen rechtzeitig übermittelt werden und ihm von allen Vorgängen und Umständen Kenntnis gegeben wird, die für die Ausführung des Auftrags von Bedeutung sein können. Dies gilt auch für die Unterlagen und weiteren Informationen, Vorgänge und Umstände, die erst während der Tätigkeit des Wirtschaftsprüfers bekannt werden. Der Auftraggeber wird dem Wirtschaftsprüfer geeignete Auskunftspersonen benennen.

(2) Auf Verlangen des Wirtschaftsprüfers hat der Auftraggeber die Vollständigkeit der vorgelegten Unterlagen und der weiteren Informationen sowie der gegebenen Auskünfte und Erklärungen in einer vom Wirtschaftsprüfer formulierten schriftlichen Erklärung zu bestätigen.

#### 4. Sicherung der Unabhängigkeit

(1) Der Auftraggeber hat alles zu unterlassen, was die Unabhängigkeit der Mitarbeiter des Wirtschaftsprüfers gefährdet. Dies gilt für die Dauer des Auftragsverhältnisses insbesondere für Angebote auf Anstellung oder Übernahme von Organfunktionen und für Angebote, Aufträge auf eigene Rechnung zu übernehmen.

(2) Sollte die Durchführung des Auftrags die Unabhängigkeit des Wirtschaftsprüfers, die der mit ihm verbundenen Unternehmen, seiner Netzwerkunternehmen oder solcher mit ihm assoziierten Unternehmen, auf die die Unabhängigkeitsvorschriften in gleicher Weise Anwendung finden wie auf den Wirtschaftsprüfer, in anderen Auftragsverhältnissen beeinträchtigen, ist der Wirtschaftsprüfer zur außerordentlichen Kündigung des Auftrags berechtigt.

#### 5. Berichterstattung und mündliche Auskünfte

Soweit der Wirtschaftsprüfer Ergebnisse im Rahmen der Bearbeitung des Auftrags schriftlich darzustellen hat, ist alleine diese schriftliche Darstellung maßgebend. Entwürfe schriftlicher Darstellungen sind unverbindlich. Sofern nicht anders vereinbart, sind mündliche Erklärungen und Auskünfte des Wirtschaftsprüfers nur dann verbindlich, wenn sie schriftlich bestätigt werden. Erklärungen und Auskünfte des Wirtschaftsprüfers außerhalb des erteilten Auftrags sind stets unverbindlich.

#### 6. Weitergabe einer beruflichen Äußerung des Wirtschaftsprüfers

(1) Die Weitergabe beruflicher Äußerungen des Wirtschaftsprüfers (Arbeitsergebnisse oder Auszüge von Arbeitsergebnissen – sei es im Entwurf oder in der Endfassung) oder die Information über das Tätigwerden des Wirtschaftsprüfers für den Auftraggeber an einen Dritten bedarf der schriftlichen Zustimmung des Wirtschaftsprüfers, es sei denn, der Auftraggeber ist zur Weitergabe oder Information aufgrund eines Gesetzes oder einer behördlichen Anordnung verpflichtet.

(2) Die Verwendung beruflicher Äußerungen des Wirtschaftsprüfers und die Information über das Tätigwerden des Wirtschaftsprüfers für den Auftraggeber zu Werbezwecken durch den Auftraggeber sind unzulässig.

#### 7. Mängelbeseitigung

(1) Bei etwaigen Mängeln hat der Auftraggeber Anspruch auf Nacherfüllung durch den Wirtschaftsprüfer. Nur bei Fehlschlagen, Unterlassen bzw. unbeachtlicher Verweigerung, Unzumutbarkeit oder Unmöglichkeit der Nacherfüllung kann er die Vergütung mindern oder vom Vertrag zurücktreten; ist der Auftrag nicht von einem Verbraucher erteilt worden, so kann der Auftraggeber wegen eines Mangels nur dann vom Vertrag zurücktreten, wenn die erbrachte Leistung wegen Fehlschlagens, Unterlassung, Unzumutbarkeit oder Unmöglichkeit der Nacherfüllung für ihn ohne Interesse ist. Soweit darüber hinaus Schadensersatzansprüche bestehen, gilt Nr. 9.

(2) Der Anspruch auf Beseitigung von Mängeln muss vom Auftraggeber unverzüglich in Textform geltend gemacht werden. Ansprüche nach Abs. 1, die nicht auf einer vorsätzlichen Handlung beruhen, verjähren nach Ablauf eines Jahres ab dem gesetzlichen Verjährungsbeginn.

(3) Offenbare Unrichtigkeiten, wie z.B. Schreibfehler, Rechenfehler und formelle Mängel, die in einer beruflichen Äußerung (Bericht, Gutachten und dgl.) des Wirtschaftsprüfers enthalten sind, können jederzeit vom Wirtschaftsprüfer auch Dritten gegenüber berichtigt werden. Unrichtigkeiten, die geeignet sind, in der beruflichen Äußerung des Wirtschaftsprüfers enthaltene Ergebnisse infrage zu stellen, berechtigen diesen, die Äußerung auch Dritten gegenüber zurückzunehmen. In den vorgenannten Fällen ist der Auftraggeber vom Wirtschaftsprüfer tunlichst vorher zu hören.

#### 8. Schweigepflicht gegenüber Dritten, Datenschutz

(1) Der Wirtschaftsprüfer ist nach Maßgabe der Gesetze (§ 323 Abs. 1 HGB, § 43 WPO, § 203 StGB) verpflichtet, über Tatsachen und Umstände, die ihm bei seiner Berufstätigkeit anvertraut oder bekannt werden, Stillschweigen zu bewahren, es sei denn, dass der Auftraggeber ihn von dieser Schweigepflicht entbindet.

(2) Der Wirtschaftsprüfer wird bei der Verarbeitung von personenbezogenen Daten die nationalen und europarechtlichen Regelungen zum Datenschutz beachten.

#### 9. Haftung

(1) Für gesetzlich vorgeschriebene Leistungen des Wirtschaftsprüfers, insbesondere Prüfungen, gelten die jeweils anzuwendenden gesetzlichen Haftungsbeschränkungen, insbesondere die Haftungsbeschränkung des § 323 Abs. 2 HGB.

(2) Sofern weder eine gesetzliche Haftungsbeschränkung Anwendung findet noch eine einzelvertragliche Haftungsbeschränkung besteht, ist die Haftung des Wirtschaftsprüfers für Schadensersatzansprüche jeder Art, mit Ausnahme von Schäden aus der Verletzung von Leben, Körper und Gesundheit, sowie von Schäden, die eine Ersatzpflicht des Herstellers nach § 1 ProdHaftG begründen, bei einem fahrlässig verursachten einzelnen Schadensfall gemäß § 54a Abs. 1 Nr. 2 WPO auf 4 Mio. € beschränkt.

(3) Einreden und Einwendungen aus dem Vertragsverhältnis mit dem Auftraggeber stehen dem Wirtschaftsprüfer auch gegenüber Dritten zu.

(4) Leiten mehrere Anspruchsteller aus dem mit dem Wirtschaftsprüfer bestehenden Vertragsverhältnis Ansprüche aus einer fahrlässigen Pflichtverletzung des Wirtschaftsprüfers her, gilt der in Abs. 2 genannte Höchstbetrag für die betreffenden Ansprüche aller Anspruchsteller insgesamt.

(5) Ein einzelner Schadensfall im Sinne von Abs. 2 ist auch bezüglich eines aus mehreren Pflichtverletzungen stammenden einheitlichen Schadens gegeben. Der einzelne Schadensfall umfasst sämtliche Folgen einer Pflichtverletzung ohne Rücksicht darauf, ob Schäden in einem oder in mehreren aufeinanderfolgenden Jahren entstanden sind. Dabei gilt mehrfaches auf gleicher oder gleichartiger Fehlerquelle beruhendes Tun oder Unterlassen als einheitliche Pflichtverletzung, wenn die betreffenden Angelegenheiten miteinander in rechtlichem oder wirtschaftlichem Zusammenhang stehen. In diesem Fall kann der Wirtschaftsprüfer nur bis zur Höhe von 5 Mio. € in Anspruch genommen werden. Die Begrenzung auf das Fünffache der Mindestversicherungssumme gilt nicht bei gesetzlich vorgeschriebenen Pflichtprüfungen.

(6) Ein Schadensersatzanspruch erlischt, wenn nicht innerhalb von sechs Monaten nach der schriftlichen Ablehnung der Ersatzleistung Klage erhoben wird und der Auftraggeber auf diese Folge hingewiesen wurde. Dies gilt nicht für Schadensersatzansprüche, die auf vorsätzliches Verhalten zurückzuführen sind, sowie bei einer schuldhaften Verletzung von Leben, Körper oder Gesundheit sowie bei Schäden, die eine Ersatzpflicht des Herstellers nach § 1 ProdHaftG begründen. Das Recht, die Einrede der Verjährung geltend zu machen, bleibt unberührt.

#### 10. Ergänzende Bestimmungen für Prüfungsaufträge

(1) Ändert der Auftraggeber nachträglich den durch den Wirtschaftsprüfer geprüften und mit einem Bestätigungsvermerk versehenen Abschluss oder Lagebericht, darf er diesen Bestätigungsvermerk nicht weiterverwenden.

Hat der Wirtschaftsprüfer einen Bestätigungsvermerk nicht erteilt, so ist ein Hinweis auf die durch den Wirtschaftsprüfer durchgeführte Prüfung im Lagebericht oder an anderer für die Öffentlichkeit bestimmter Stelle nur mit schriftlicher Einwilligung des Wirtschaftsprüfers und mit dem von ihm genehmigten Wortlaut zulässig.

(2) Widerruft der Wirtschaftsprüfer den Bestätigungsvermerk, so darf der Bestätigungsvermerk nicht weiterverwendet werden. Hat der Auftraggeber den Bestätigungsvermerk bereits verwendet, so hat er auf Verlangen des Wirtschaftsprüfers den Widerruf bekanntzugeben.

(3) Der Auftraggeber hat Anspruch auf fünf Berichtsausfertigungen. Weitere Ausfertigungen werden besonders in Rechnung gestellt.

#### 11. Ergänzende Bestimmungen für Hilfeleistung in Steuersachen

(1) Der Wirtschaftsprüfer ist berechtigt, sowohl bei der Beratung in steuerlichen Einzelfragen als auch im Falle der Dauerberatung die vom Auftraggeber genannten Tatsachen, insbesondere Zahlenangaben, als richtig und vollständig zugrunde zu legen; dies gilt auch für Buchführungsaufträge. Er hat jedoch den Auftraggeber auf von ihm festgestellte Unrichtigkeiten hinzuweisen.

(2) Der Steuerberatungsauftrag umfasst nicht die zur Wahrung von Fristen erforderlichen Handlungen, es sei denn, dass der Wirtschaftsprüfer hierzu ausdrücklich den Auftrag übernommen hat. In diesem Fall hat der Auftraggeber dem Wirtschaftsprüfer alle für die Wahrung von Fristen wesentlichen Unterlagen, insbesondere Steuerbescheide, so rechtzeitig vorzulegen, dass dem Wirtschaftsprüfer eine angemessene Bearbeitungszeit zur Verfügung steht.

(3) Mangels einer anderweitigen schriftlichen Vereinbarung umfasst die laufende Steuerberatung folgende, in die Vertragsdauer fallenden Tätigkeiten:

- a) Ausarbeitung der Jahressteuererklärungen für die Einkommensteuer, Körperschaftsteuer und Gewerbesteuer sowie der Vermögensteuererklärungen, und zwar auf Grund der vom Auftraggeber vorzulegenden Jahresabschlüsse und sonstiger für die Besteuerung erforderlicher Aufstellungen und Nachweise
- b) Nachprüfung von Steuerbescheiden zu den unter a) genannten Steuern
- c) Verhandlungen mit den Finanzbehörden im Zusammenhang mit den unter a) und b) genannten Erklärungen und Bescheiden
- d) Mitwirkung bei Betriebsprüfungen und Auswertung der Ergebnisse von Betriebsprüfungen hinsichtlich der unter a) genannten Steuern
- e) Mitwirkung in Einspruchs- und Beschwerdeverfahren hinsichtlich der unter a) genannten Steuern.

Der Wirtschaftsprüfer berücksichtigt bei den vorgenannten Aufgaben die wesentliche veröffentlichte Rechtsprechung und Verwaltungsauffassung.

(4) Erhält der Wirtschaftsprüfer für die laufende Steuerberatung ein Pauschalhonorar, so sind mangels anderweitiger schriftlicher Vereinbarungen die unter Abs. 3 Buchst. d) und e) genannten Tätigkeiten gesondert zu honorieren.

(5) Sofern der Wirtschaftsprüfer auch Steuerberater ist und die Steuerberatervergütungsverordnung für die Bemessung der Vergütung anzuwenden ist, kann eine höhere oder niedrigere als die gesetzliche Vergütung in Textform vereinbart werden.

(6) Die Bearbeitung besonderer Einzelfragen der Einkommensteuer, Körperschaftsteuer, Gewerbesteuer, Einheitsbewertung und Vermögensteuer sowie aller Fragen der Umsatzsteuer, Lohnsteuer, sonstigen Steuern und Abgaben erfolgt auf Grund eines besonderen Auftrags. Dies gilt auch für

- a) die Bearbeitung einmalig anfallender Steuerangelegenheiten, z. B. auf dem Gebiet der Erbschaftsteuer, Kapitalverkehrsteuer, Grunderwerbsteuer,
- b) die Mitwirkung und Vertretung in Verfahren vor den Gerichten der Finanz- und der Verwaltungsgerichtsbarkeit sowie in Steuerstrafsachen,
- c) die beratende und gutachtliche Tätigkeit im Zusammenhang mit Umwandlungen, Kapitalerhöhung und -herabsetzung, Sanierung, Eintritt und Ausscheiden eines Gesellschafters, Betriebsveräußerung, Liquidation und dergleichen und
- d) die Unterstützung bei der Erfüllung von Anzeige- und Dokumentationspflichten.

(7) Soweit auch die Ausarbeitung der Umsatzsteuerjahreserklärung als zusätzliche Tätigkeit übernommen wird, gehört dazu nicht die Überprüfung etwaiger besonderer buchmäßiger Voraussetzungen sowie die Frage, ob alle in Betracht kommenden umsatzsteuerrechtlichen Vergünstigungen wahrgenommen worden sind. Eine Gewähr für die vollständige Erfassung der Unterlagen zur Geltendmachung des Vorsteuerabzugs wird nicht übernommen.

#### 12. Elektronische Kommunikation

Die Kommunikation zwischen dem Wirtschaftsprüfer und dem Auftraggeber kann auch per E-Mail erfolgen. Soweit der Auftraggeber eine Kommunikation per E-Mail nicht wünscht oder besondere Sicherheitsanforderungen stellt, wie etwa die Verschlüsselung von E-Mails, wird der Auftraggeber den Wirtschaftsprüfer entsprechend in Textform informieren.

#### 13. Vergütung

(1) Der Wirtschaftsprüfer hat neben seiner Gebühren- oder Honorarforderung Anspruch auf Erstattung seiner Auslagen; die Umsatzsteuer wird zusätzlich berechnet. Er kann angemessene Vorschüsse auf Vergütung und Auslagenersatz verlangen und die Auslieferung seiner Leistung von der vollen Befriedigung seiner Ansprüche abhängig machen. Mehrere Auftraggeber haften als Gesamtschuldner.

(2) Ist der Auftraggeber kein Verbraucher, so ist eine Aufrechnung gegen Forderungen des Wirtschaftsprüfers auf Vergütung und Auslagenersatz nur mit unbestrittenen oder rechtskräftig festgestellten Forderungen zulässig.

#### 14. Streitschlichtungen

Der Wirtschaftsprüfer ist nicht bereit, an Streitbeilegungsverfahren vor einer Verbraucherschlichtungsstelle im Sinne des § 2 des Verbraucherstreitbeilegungsgesetzes teilzunehmen.

#### 15. Anzuwendendes Recht

Für den Auftrag, seine Durchführung und die sich hieraus ergebenden Ansprüche gilt nur deutsches Recht.

[Translator's notes are in square brackets]

# General Engagement Terms

for  
**Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften**  
 [German Public Auditors and Public Audit Firms]  
 as of January 1, 2017

## 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

## 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

## 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

## 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

## 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

## 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

## 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translator's Note: The German term "Textform" means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

## 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of *Wirtschaftsprüfer*: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

## 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

#### 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

#### 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

#### 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

#### 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

#### 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

#### 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.