



Euromaster Danmark A/S

Krøyer Kielbergs Vej 3, 1.

DK-8660 Skanderborg

Central Business Registration No: 14808701

Annual report 2017

The Annual General Meeting adopted the annual report on 31.05.2018

Chairman of the General Meeting

Name: Regina M. Andersen

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	5
Income statement for 2017	7
Balance sheet at 31.12.2017	8
Statement of changes in equity for 2017	10
Notes	11
Accounting policies	15

Entity details

Entity

Euromaster Danmark A/S
Krøyer Kielbergs Vej 3, 1.
DK-8660 Skanderborg

Central Business Registration No: 14808701
Registered in: Skanderborg
Financial year: 01.01.2017 - 31.12.2017

Phone: +4587282828
Fax: +4587282829
Website: www.euromaster.dk
E-mail: info@dk.euromaster.com

Board of Directors

Karl de Quick, Chairman
Philippe Berther
Ove Bjørn Eichler

Executive Board

Ove Bjørn Eichler, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Værkmestergade 2
DK-8000 Aarhus C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Euromaster Danmark A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Skanderborg, 31.05.2018

Executive Board

Ove Bjørn Eichler
Chief Executive Officer

Board of Directors

Karl de Quick
Chairman

Philippe Berther

Ove Bjørn Eichler

Independent auditor's report

To the shareholders of Euromaster Danmark A/S

Opinion

We have audited the financial statements of Euromaster Danmark A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical 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 opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial statements Act. We did not identify any material misstatement of the management commentary.

Aarhus, 31.05.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Rasmus Brodd Johnsen
State Authorised Public Accountant
Identification number (MNE) 33217

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Revenue	303.382	324.072	322.206	325.610	327.227
Gross profit/loss	75.942	82.470	72.616	67.819	57.301
Operating profit/loss	(24.773)	(18.259)	(25.296)	(30.198)	(42.169)
Net financials	(2.465)	(1.871)	(1.918)	(2.393)	(3.092)
Profit/loss for the year	(26.777)	(19.538)	(26.534)	(31.911)	(43.784)
Total assets	151.537	156.355	160.683	157.629	159.180
Investments in property, plant and equipment	3.828	6.796	6.157	4.238	4.501
Equity	(329)	(7.552)	11.986	(2.480)	(34.365)
Ratios					
Net margin (%)	(8,8)	(6,0)	(8,2)	(9,8)	(13,4)
Equity ratio (%)	(0,2)	(4,8)	7,5	(1,6)	(21,6)
Return of net assets (%)	(16,3)	(11,7)	(15,7)	(19,2)	(26,5)

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The Entity's operating profitability.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity.
Return of net assets (%)	$\frac{\text{Operation profit/loss} \times 100}{\text{Total assets}}$	The return generated by the enterprise on the total assets.

Primary activities

The Company's primary activity comprises sale of tyres and services on the Danish market.

Development in activities and finances

The operating loss for the year is not in the line with the expectation and is thus not satisfactory.

Due to the loss for the year 2017 the entire share capital is lost, and the Company is thus comprised by section 119 of the Danish Companies Act. In financial year 2018 the share capital will be increased by payment in cash from the parent Company.

Disclosures on non-financial issues

Reporting on the underrepresented sex in management

Euromaster Danmark A/S has a gender bias where women represent less than 40% of management. Because of this Euromaster Danmark A/S has chosen to prepare the attached policy to a more gender balance referring to section 99 b of the Danish Financial Statements Act.

Management commentary

Target points for the management

The management of Euromaster consists of a "large management group", where 20% is represented by women. The group consists of:

1. MD / CEO
2. CFO / CIO
3. Sales Manager
4. Sales Director
5. Purchasing Manager
6. HR Manager
7. Leasing Manager
8. Regional Manager West
9. Regional Manager East
10. Marketing Manager

The number of women in the tyres industry is relatively low. Therefore the management's goal has been that the "large management group" would be represented by a minimum of 20% women in 2018. This goal has been achieved in 2017.

It is the management's goal, that men and women has the equal opportunities for making a career in Euromaster. Furthermore, it is important that it is the skills that count when you become part of the "large management group", but Euromaster is working to secure that minimum 20% of the "large management group" must be women.

Target points for the Board of Directors

The Board of Euromaster Danmark A/S comprises senior executive from other Euromaster countries. The Board counts three members, all men. It is a goal that the Board shall consist of 33% women in 2019.

The number of women in the tyres industry is relatively low. Furthermore, it is important that it is the skills that count when you become part of the Board of Euromaster Danmark A/S.

The target points have been prepared in the end of 2015. Consequently, management has not considered it appropriate to conclude on the target points by the end of the year 2017.

Outlook

The Company expects an unchanged level of activities in the year 2018, but an improvement of the results by approximately EUR 1,000 k. (DKK 7,450 k.).

Corporate social responsibility

Referring to section 99 a of the Danish Financial Statements Act, the Company has no politics regarding social responsibility including environment, climate and human rights.

Events after the balance sheet date

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	1	303.382	324.072
Other operating income		0	237
Cost of sales		(159.769)	(173.637)
Other external expenses	4	(67.671)	(68.202)
Gross profit/loss		75.942	82.470
Staff costs	2	(94.934)	(95.982)
Depreciation, amortisation and impairment losses	3	(4.906)	(4.747)
Other operating expenses		(875)	0
Operating profit/loss		(24.773)	(18.259)
Other financial income	5	259	237
Other financial expenses	6	(2.724)	(2.108)
Profit/loss before tax		(27.238)	(20.130)
Tax on profit/loss for the year	7	461	592
Profit/loss for the year	8	(26.777)	(19.538)

Balance Sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Goodwill		0	0
Intangible assets	9	0	0
Other fixtures and fittings, tools and equipment		10.457	12.238
Leasehold improvements		6.164	6.534
Property, plant and equipment	10	16.621	18.772
Fixed assets		16.621	18.772
Manufactured goods and goods for resale		47.303	47.070
Inventories		47.303	47.070
Trade receivables		50.795	49.579
Receivables from group enterprises		26.079	31.343
Other receivables		4.653	6.856
Income tax receivable		500	638
Prepayments	11	1.011	1.530
Receivables		83.038	89.946
Cash	12	4.575	567
Current assets		134.916	137.583
Assets		151.537	156.355

Balance Sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital	13	6.010	6.000
Retained earnings		(6.339)	(13.552)
Equity		(329)	(7.552)
Bank loans		0	9.939
Prepayments received from customers		564	813
Trade payables		18.805	24.107
Payables to group enterprises		119.497	118.171
Other payables		13.000	10.877
Current liabilities other than provisions		151.866	163.907
Liabilities other than provisions		151.866	163.907
Equity and liabilities		151.537	156.355
Unrecognised rental and lease commitments	14		
Contingent liabilities	15		
Mortgages and securities	16		
Related parties with controlling interest	17		
Group relations	18		

Statement of changes in equity for 2017

	Contributed	Retained	Total
Equity beginning of year	6.000	(13.552)	(7.552)
Increase of capital	10	33.990	34.000
Profit/loss for the year	0	(26.777)	(26.777)
Equity	6.010	(6.339)	(329)

Due to the loss for the year 2017 the entire share capital is lost, and the Company is thus comprised by section 119 of the Danish Companies Act. In financial year 2018 the share capital will be increased by payment in cash from the parent Company.

Notes

1. Revenue

Revenue by geographical market

	2017 DKK'000	2016 DKK'000
Denmark	299.308	319.984
Other EU-countries	4.074	4.088
	303.382	324.072

Revenue by activity

Light Division	155.685	164.322
Heavy Division	147.697	159.750
	303.382	324.072

Light Division includes sales of tyres and related services to smaller vehicles as cars, vans and smaller commercial vehicles. Heavy Division includes sales of tyres and related services to larger industrial vehicles as trucks and agricultural vehicles etc.

2. Staff costs

	2017 DKK'000	2016 DKK'000
Wages and salaries	86.270	87.179
Pension costs	3.152	3.224
Other social security costs	5.512	5.579
	94.934	95.982

Average number of employees

232	233
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Referring to section 98 b (3) of the Danish Financial Statements Act, Euromaster Denmark A/S has not disclosed the remuneration of the Executive Board.

3. Depreciation, amortisation and impairment losses

	2017 DKK'000	2016 DKK'000
Depreciation of property, plant and equipment	4.906	4.747
	4.906	4.747

4. Fees to the auditor appointed by the Annual General Meeting

	2017 DKK'000	2016 DKK'000
Statutory audit services	186	186
Other services	268	78
	454	264

5. Other financial income

	2017 DKK'000	2016 DKK'000
Financial income arising from group enterprises	212	213
Other financial income	47	24
	259	237

Notes

6. Other financial expenses

Financial expenses from group enterprises
Other financial expenses

2017 DKK'000	2016 DKK'000
2.169	1.602
555	506
2.724	2.108

7. Tax on profit/loss for the year

Adjustment to tax for previous years
Tax on current year taxable income

2017 DKK'000	2016 DKK'000
39	46
(500)	(638)
(461)	(592)

8. Proposed distribution of profit/loss

Retained earnings

2017 DKK'000	2016 DKK'000
(26.777)	(19.538)
(26.777)	(19.538)

9. Intangible assets

Cost beginning of year

Additions

Disposals

Cost end of year

**Goodwill
DKK'000**

7.400

0

0

7.400

Amortisation and impairment losses beginning of year

(7.400)

Amortisation for the year

0

Impairment losses for the year

0

Reversal regarding disposals

0

Amortisation and impairment losses end of year

(7.400)

Carrying amount end of year

0

10. Property, plant and equipment

Cost beginning of year

Additions

Disposals

Cost end of year

Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve- ments DKK'000
77.082	17.045
3.444	384
(9.080)	(945)
71.446	16.484

Depreciation and impairment losses beginning of the year

(64.844)

(10.511)

Depreciation for the year

(4.191)

(715)

Impairment losses for the year

0

0

Reversal regarding disposals

8.046

906

Depreciation and impairment losses end of the year

(60.989)

(10.320)

Carrying amount end of year

10.457

6.164

Notes

11. Prepayments

Prepayments comprise incurred costs relating to subsequent financial years.

12. Cash

The company has established a cash pool arrangement with the Danish group enterprises through a bank. The sole account holder is Euromaster Danmark A/S.

13. Contributed capital

Contributed capital
Equity

Number	Par value DKK'000	Nominal value DKK'000
6.010	1.000	6.010
6.010	1.000	6.010

14. Unrecognised rental and lease commitments

Commitments under rental or lease agreements until
expiry in total

2017 DKK'000	2016 DKK'000
42.793	52.375
42.793	52.375

15. Contingent liabilities

The Company participates in a Danish joint taxation arrangement in which Euromaster DK Holding A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2013 for income taxes etc for the jointly taxed companies and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

The Danish Tax Authorities have raised a claim for repayment of erroneously reported electricity for the period 2006 to 2016 totalling approx. DKK 1.2 million. The Company's Management disagrees on the claim and will bring the case before the Danish National Tax Tribunal.

16. Mortgages and securities

A bank guarantee has been provided totalling DKK 1.745k at 31.12.2017 against DKK 1.745k at 31.12.2016.

17. Related parties with controlling interest

The following related parties have a controlling interest in Euromaster Danmark A/S:

Name	Registered office	Basis of influence
Compagnie Générale des Etablissements Michelin	France	Ultimate Parent Company
Eurodrive Services and Distribution	France	Group Entreprise, controlling shareholder in Euromaster DK Holding A/S
Euromaster DK Holding A/S	Skanderborg, Denmark	Controlling shareholder

Notes

18. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Compagnie Générale des Etablissements Michelin, France.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Euromaster DK Holding A/S, Skanderborg.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (large).

The accounting policies applied for these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises costs of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

Other external expenses

Other external expenses comprise expenses for distribution, sale, marketing, administration, premises, bad debts, etc.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Accounting policies

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprises interest income on receivables from group enterprises, net capital gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is joint taxed with Euromaster DK Holding A/S and other Danish entities within the Michelin Group. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is usually five years, however, in certain cases it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the benefit from the relevant resources.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-20 years
Leasehold improvements	5-25 years

Accounting policies

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Profits or losses are recognised in the income statement under other operation expenses.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Income tax payable or receivable

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, Euromaster Danmark A/S has not prepared any cash flow statement.