Financial Statements as at 31 March 2018 and Management Report

TRANSLATION – AUDIT REPORT

Minda KTSN Plastic Solutions GmbH & Co. KG
Pirna

KPMG AG Wirtschaftsprüfungsgesellschaft

The English language text below is a translation provided for information purposes only. The original German text shall prevail in the event of any discrepancies between the English translation and the German original. We do not accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may arise from the translation.

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Please note that for computational reasons, rounding differences to the exact mathematical figures (monetary units, percentages, etc.) may occur.

KPMG

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Glossary

ACEA	The European Automobile Manufacturers' Association
Audi	Audi AG, Ingolstadt
BilRUG	Accounting Policies Implementation Directive [Bilanzrichtlinie-Umsetzungsgesetz]
BMW	BMW AG, Munich
C-BEV	Audi Q6 e-tron
Daimler	Daimler AG, Stuttgart
HRA	Excerpt from the commercial register
HRB	Commercial register section B
IDW	German Institute of Public Accountants [Institut der Wirtschaftsprüfer in Deutschland e.V.], Duesseldorf
KTSN Kunststofftechnik	KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH, Pirna
Minda Corporation	Minda Corporation Limited, Delhi/India
Minda KTSN / MKTSN	Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna
Minda KTSN MX / MKTSN MX	Minda KTSN Plastic Solutions Mexico S. de R. L. de C.V., Querétaro/Mexico
Minda KTSN PL / MKTSN PL	Minda KTSN Plastic and Tooling Solutions Z.o.o., Bydgoszcz/Poland
OEM	Original Equipment Manufacturer
Plastic Omnium	Plastic Omnium S.A. Levallois-Perret/France
Porsche	Porsche AG, Stuttgart
SUV	Sport Utility Vehicle
TS	Technical specification
VW / Volkswagen	Volkswagen AG, Wolfsburg

1 Audit Engagement

At the partners' meeting of

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna,
– hereinafter referred to in short as „Minda KTSN" or „Company" –

held on 10 January 2018 we were appointed as auditors for the financial year from 1 April 2017 to 31 March 2018. Accordingly, management has engaged us to audit the annual financial statements for the year ended 31 March 2018, together with the bookkeeping system and the management report.

This audit report has been prepared in accordance with the principles of Audit Standard 450 promulgated by the IDW.

Pursuant to Section 318 of the HGB, we were also engaged to audit the Company's consolidated financial statements as at 31 March 2018.

We confirm that we have conducted our audit in compliance with the applicable independence regulations in accordance with Section 321 (4a) of the HGB.

The terms governing this engagement are set out in the General Terms and Conditions of Engagement for Auditors and Auditing Firms *[Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften]* as amended on 1 January 2017, which are attached to this report as Appendix 3. Our liability is governed by Clause 9 of the General Engagement Terms. Our liability towards third parties is defined under Clauses 1 (2) and 9 of the General Engagement Terms.

2 Basic Findings

2.1 Evaluation of management's assessment of the Company's position

In our opinion, the following key statements in the management report are noteworthy:

- The revenues in financial year 2017/2018 totalled EUR 59.5 million and were thereby substantially higher than the budgeted amount of EUR 56.2 million, however they were EUR 2.5 million below those of the prior year. This was primarily attributable to the higher than budgeted project business for customer tooling, due primarily to the set-up of operations of the subsidiary in Mexico and the corresponding development and project services. As such, in the current financial year, revenues from project billings totalled approximately EUR 17.3 million (in the prior year approximately EUR 19.4 million).
- In the costs of materials, the costs of purchased services for customer tools declined overproportionately to revenues from project billings by EUR 5.3 million to EUR 42.5 million. The results of ordinary activities in 2017/2018 of EUR 2.2 million did not change substantially when compared with the prior year (EUR 2.3 million). During the year, the after tax results declined from EUR 2.1 million to EUR 1.7 million.
- In total, assets increased from EUR 61.3 million as at 31 March 2017 to EUR 78.1 million as at 31 March 2018. Assets thereby primarily increased as a result of the increase in the shareholding in the subsidiary in Mexico from EUR 6.7 million to EUR 11.6 million due to capital increases, the EUR 4.8 million increase in inventories and the EUR 8.0 million increase in receivables from affiliated companies. The increase is primarily attributable to higher project billings (EUR 14.4 million, in the prior year EUR 3.8 million) due to the set-up of the subsidiary in Mexico.
- The equity and liabilities side of the balance sheet was impacted by the net income of EUR 1.6 million. Simultaneously, the EUR 10.0 million increase in the liabilities to financial institutions as a result of the taking on of new loans for the financing of project costs led to an increase in the balance sheet total.
- Management still considers the financial situation to be stable. In addition to the increase in equity as a result of the improved results, the Company's long-term financing was strengthened. Furthermore, the parent company extended an unsecured loan of EUR 6.2 million to improve liquidity.
- In financial year 2018/2019 capital expenditures totalling EUR 1.3 million are budgeted for machinery, building expansion as well as software.
- The Company has budgeted revenues totalling EUR 53.5 million in financial year 2018/2019 along with a slight decline in operating results to EUR 1.7 million.

- In the future, the Company intends to develop additional markets outside Germany and to secure additional OEM customers. Further activities are planned to meet customer requirements with the production facility in Mexico. The Company is planning to establish a facility in China in the short-term.
- The most significant risk is considered to be the ability to finance the Company in the future. An additional loan totalling EUR 4.5 million is to be taken on in September 2018. Furthermore, the partners have resolved to convert EUR 5.1 million of the EUR 6.2 million shareholder loan to equity. The Company is dependent on the support of its parent company, Minda Corporation Limited, Delhi/India, for this. In addition, as at the balance sheet date 31 March 2018, there are working capital loans totalling EUR 12.8 million which can be cancelled at short notice. Management believes that they can be extended in their entirety including favourable interest thereon. Nonetheless, there is the risk that the banks call these loans at short notice. In this case the Company would also be dependent on the support of Minda Corporation. For this reason, on 31 March 2018, the parent company issued a binding letter of comfort to the Company. Herein it commits to provide further financial support for the liquidity of Minda KTSN Plastic Solutions GmbH & Co. KG through 30 September 2019.
- Management believes that a further risk lies in the development of raw materials prices. The Company is seeking to minimise these risks by virtue of ongoing negotiations with customers and suppliers. Likewise, the Company believes that there is the general risk that the sales markets in the automotive industry may decline or that product developments do not meet customer needs.

As a result of our audit, we found that the management report presents fairly, in all material respects, the position of the Company and accurately presents the opportunities and risks of future development.

Refer to Appendix 2 for information on the Company's legal status.

2.2 Circumstances endangering the ability to continue as a going concern

With specific reference to Section 321 (1) sentence 3 of the HGB we point out the following reportable conditions:

The Company is on a course of rapid expansion. In the financial year just ended, the new facility in Mexico was completed. In conjunction with this, there was a substantial need for liquidity for the equipping of the factory as well as the required start-up costs. To date, this has been provided by additional equity contributions by partners in Minda KTSN as well as short-term loans provided by financial institutions. As such, the Company's liquidity is limited.

To provide additional financing the Company is planning to take on an additional loan from the partners in September 2018 totalling EUR 4.5 million. Furthermore, the partners have resolved to convert EUR 5.1 million of the EUR 6.2 million in shareholder loans granted to equity. The Company is dependent on the support of its parent company, Minda Corporation Limited, Delhi/India, for this. In addition, as at the balance sheet date 31 March 2018, there were working capital loans totalling EUR 12.8 million which can be cancelled at short notice. Management believes that they can be extended in their entirety including favourable interest thereon. Nonetheless, there is the risk that the banks call these loans at short notice. In this case the Group would also be dependent on the support of Minda Corporation.

For this reason, on 31 March 2018 the parent company issued a binding letter of comfort to the Company in effect through 30 September 2019. Herein it commits to provide further financial support and to provide for the liquidity of Minda KTSN Plastic Solutions GmbH & Co. KG through 30 September 2019.

As such, the ability of the Company to continue as a going concern is dependent on the continued future financial support by the parent company, Minda Corporation Limited, Delhi/India. Management expects the continued support as a result of which the ability of the Company to continue as a going concern is considered highly probable.

2.3 Violations of other regulations

2.3.1 Late compilation of the prior year consolidated financial statements

Contrary to the requirements of Section 290 (1) of the HGB in conjunction with Section 264a, the Company did not prepare the consolidated financial statements and Group management report as at 31 March 2017 within five months of the conclusion of the financial year.

2.3.2 Publishing of the prior year financial statements and other required documents

Contrary to the stipulation of Section 325 (1a) of the HGB, the Company did not publish the annual financial statements and management report as at 31 March 2017 within twelve months of the conclusion of the financial year. They were published on 24 April 2018.

3 Performance of the Audit

3.1 Scope of the audit

We have audited the annual financial statements, including the accounting records, and the management report of Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna, for the financial year ended 31 March 2018. The Company's management is responsible for

– the maintenance of the books and records,
– the preparation of the annual financial statements and the management report in accordance with the regulations of German commercial law and the supplementary provisions of the partnership agreement, and also for
– the explanations and evidence provided to us.

Our responsibility is to express an opinion on these annual financial statements and the management report based on our audit.

An audit of financial statements only covers compliance with other legal regulations to the extent that these other legal regulations can be expected to have an impact on the annual financial statements or the management report.

Pursuant to Section 317 (4a) of the HGB, an audit of financial statements is not intended to extend to whether the Group's ability to continue as a going concern or the effectiveness and efficiency of management can be ensured.

3.2 Nature and scope of audit procedures

We conducted our audit of the annual financial statements in accordance with Section 317 of the HGB and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors *[IDW]*. The objective of our risk-oriented audit approach is to ensure that the statements made in the annual financial statements and the management report of Minda KTSN provide a reliable basis for decisions taken by users of these financial statements.

The main features underlying our audit approach are as follows:

Phase I: Development of an audit strategy focused on business risks
Obtaining an understanding of the Company's business as well as knowledge of the accounting systems and the internal control system
Establishing audit focus areas based on our risk assessment: – Audit of the process of preparing the financial statements – Design, implementation and effectiveness of internal controls in the procurement and sales processes – Valuation of the shares of affiliated companies – Existence and valuation of inventories – Existence and valuation of trade receivables – Completeness of trade payables – Revenue recognition cut-off – Going concern assumption
Establishing the audit strategy and timeline for the audit
Selecting the audit team and planning the deployment of specialists

Phase II: Selection and implementation of control-based audit procedures
Selection of control-based audit procedures based on risk assessments and knowledge of business processes and systems
Assessment of the design and effectiveness of selected accounting-related controls

Phase III: Tests of details and analytical review of items in the financial statements
Performance of analytical reviews of items in the financial statements
Tests of details on a sample basis and assessment of individual items with a view to the accounting options and judgements exercised, e.g.: – Obtaining confirmations from suppliers on the basis of specified samples – Obtaining confirmations from the Company's legal counsel – Obtaining confirmations from banks
Review of disclosures in the notes and assessment of the management report

Phase IV: Overall assessment of audit results and reporting
Formation of the audit opinion on the basis of the overall assessment of audit results
Reporting in the audit report and the auditor's report
Detailed oral presentation of audit results to management and the Company's representatives

We performed our audit (with interruptions) in the months of April to August 2018 and completed it on 8 August 2018. We performed an interim audit in March 2018.

All explanations and evidence requested by us were provided. Management confirmed in writing that the accounting records, the annual financial statements and the management report are complete.

4 Findings Concerning Accounting Records and Financial Reporting

4.1 Accounting records and related documents

The Company’s accounting records have been properly kept and maintained. The accounting records and related documents are properly authorised, sufficiently explained and filed in an orderly manner. Based on our findings, the accounting records and related documents comply with German statutory requirements.

Based on our audit, we found that the Company’s organisational and technical measures taken to ensure security of the accounting-relevant data and IT systems were appropriate.

4.2 Annual financial statements

The annual financial statements as at 31 March 2018, presented to us for audit, were properly derived from the Company's accounting records and related documents. The opening balance sheet figures were properly carried forward from the prior year's financial statements. The statutory regulations concerning recognition, disclosure and valuation were observed.

The balance sheet and the income statement were prepared in accordance with the provisions of German commercial law governing the accounting of commercial partnerships as defined under Section 264a (1) of the HGB, including generally accepted accounting principles. The notes to the financial statements include all required information. The supplementary provisions of the partnership agreement pertaining to annual financial statements were observed.

Proper use has been made of the protection clause under Section 286 (4) of the HGB.

4.3 Management report

The Company’s management report, prepared by management, complies with statutory regulations. The management report is consistent with the annual financial statements and our audit findings. It presents fairly, in all material respects, the position of the Company. As a result of our audit, we conclude that the management report suitably presents the main opportunities and risks of future development.

5 Opinion on the Overall Presentation of the Annual Financial Statements

5.1 Explanatory notes concerning the overall presentation

The general accounting policies are described in the notes to the financial statements (see Appendix 1.3).

The exercise of accounting and valuation options as well as accounting judgements for the following financial statement items has a material effect on the Company's net assets, financial position and results of operations:

Shares in affiliated companies

The Company is the sole shareholder of Minda KTSN Plastic and Tooling Solutions Z.o.o., Bydgoszcz/Poland, Minda Schenk Plastic Solutions s.r.o., Liberec/Czech Republic, KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH, Pirna, Minda KTSN Plastic Solutions s.r.o., Liberec/Czech Republic, as well as Minda KTSN Plastic Solutions Mexico S. de R.L. de C.V., Queretaro/Mexico

As at the balance sheet date, the shareholdings were as follows:

	Contribution	Shareholding	Equity	Results
	EUR'000	%	EUR'000	EUR'000
KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH, Pirna[1]	25	100.0	23	0
Minda KTSN Plastic Solutions SP. Z o.o., Bydgoszcz/Poland [2]	1,515	100.0	2,661	141
Minda KTSN Plastic Solutions s.r.o , Usti/Czech Republic[1]	597	100.0	-33	-162
Minda KTSN Plastic Solutions Mexico S. de R.L. de C.V. Queretaro[2]	9,500	100.0	6,460	747

The Company has valued the shareholdings on the basis of the internal projections. Overall, management is of the opinion that the underlying assumptions with respect to earnings will be realised on a sustainable basis and considers the measurement of the participations appropriate. As such, despite the negative development of results of Minda KTSN Plastic

1 Disclosures relate to the financial year which ended 31 March 2018.

2 Disclosures for the financial year which ended 31 March 2018, equity and results were translated using the official exchange rate as at 31 March 2018.

Solutions s.r.o, Usti/Czech Republic in the past, no valuation adjustment was recorded, as a sustainable improvement in the results of operations is assumed for the upcoming financial years.

Exercising of the allowed alternative treatment with respect to the recording of an asset pursuant to Section 274 (1) sentence 2 of the HGB

The Company utilised the allowed alternative treatment pursuant to Section 274 (1) sentence 2 of the HGB with respect to the recording of deferred tax assets. Subsequent to the off-setting of deferred tax assets and deferred tax liabilities, a net asset totalling EUR 109k remained. The measurement of the deferred taxes is based on a company specific tax rate of 14 %. The exercising of the allowed alternative treatment leads to a ban with respect to distributions.

5.2 Conclusion on the overall presentation of the annual financial statements

Based on an overall consideration of the accounting policies described above, we are of the opinion that the annual financial statements provide a true and fair view of the Company's net assets, financial position and results of operations in accordance with German generally accepted accounting principles.

6 Auditor's report

We have issued the following unqualified auditor's report:

Auditor's report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna, for the financial year from 1 April 2017 to 31 March 2018. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the partnership agreement are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code *[HGB]* and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors *[IDW]*. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and the supplementary provisions of the partnership agreement, and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and, as a whole, provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we refer to the explanations in section IV. 2 „Risks - Equity" in the management report. It is explained there that the Company's ability to continue as a going concern is dependent on the continued financial support by the parent company, Minda Corporation Limited, Delhi/India.

Dresden, 8 August 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Strom	Wilde
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Appendices

Appendix 1
Annual Financial Statements as at 31 March 2018 and Management Report

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Balance sheet as at 31 March 2018

A s s e t s

	31.3.2018		31.3.2017	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
1. Internally generated trademarks and similar rights and assets	1.00		1.00	
2. Trademarks and similar rights and assets as well as licenses to such rights and assets acquired for consideration	163,836.89	163,837.89	36,921.94	36,922.94
II. Property, plant and equipment				
1. Land and buildings	11,220,038.54		11,484,493.30	
2. Technical equipment and machinery	7,781,981.95		7,810,678.00	
3. Other equipment, operating and office equipment	691,797.04		756,664.00	
4. Advance payments and construction in progress	466,418.11	20,160,235.64	320,422.09	20,372,257.39
III. Financial assets				
1. Shares in affiliated companies	11,637,148.44		6,740,148.44	
2. Participations	1,000.00	11,638,148.44	1,000.00	6,741,148.44
		31,962,221.97		**27,150,328.77**
B. Current assets				
I. Inventories				
1. Raw materials, consumables and supplies	3,210,140.86		3,068,141.93	
2. Work in progress	13,635,985.74		8,843,215.03	
3. Finished goods and merchandise	731,467.10	17,577,593.70	867,582.32	12,778,939.28
II. Receivables and other assets				
1. Trade receivables	8,268,435.43		8,507,399.89	
2. Receivables from affiliated companies	17,101,318.94		9,094,154.76	
3. Other assets	1,891,557.99	27,261,312.36	1,514,820.14	19,116,374.79
III. Cash and bank balances		53,323.24		1,113,871.67
		44,892,229.30		**33,009,185.74**
C. Prepaid expenses		**1,095,669.21**		**801,606.53**
D. Deferred tax assets		**109,180.86**		**366,555.22**
		78,059,301.34		**61,327,676.26**

Equity & liabilities

	31.3.2018 EUR	31.3.2017 EUR
A. Equity		
I. Capital contributed by limited partners	11,950,001.00	10,450,001.00
II. Reserves	6,876,155.87	3,759,152.59
III. Net income for the year	1,629,583.66	2,117,003.28
	20,455,740.53	**16,326,156.87**
B. Contributions made for the resolved upon increase in equity	**0.00**	**2,500,000.00**
C. Special reserve for treasury shares recognised as assets	**25,000.00**	**25,000.00**
D. Special item for investment subsidies and grants	**228,266.17**	**253,229.99**
E. Provisions		
1. Tax provisions	279,255.98	168,382.00
2. Other provisions	2,413,379.80	1,856,105.27
	2,692,635.78	**2,024,487.27**
F. Liabilities		
1. Liabilities to banks	34,491,891.13	24,480,910.90
2. Payments received on account of orders	355,803.25	720,111.91
3. Trade payables	9,198,909.53	9,006,234.52
4. Liabilities to affiliated companies	8,189,625.99	4,555,982.19
5. Other liabilities	2,421,428.96	1,426,362.61
– thereof for taxes EUR 858,024.97 (in the prior year EUR 424,702.38) –		
– thereof for social security EUR 2,423.03 (in the prior year EUR 1,836.95) –		
	54,657,658.86	**40,189,602.13**
G. Deferred liabilities	**0.00**	**9,200.00**
	78,059,301.34	**61,327,676.26**

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Income statement for the period from 1 April 2017 to 31 March 2018

1. Revenues
2. Increase of work in progress and finished goods inventories
3. Other own work capitalised
4. Other operating income
5. Cost of materials
   a) Cost of raw materials, consumables and supplies and of purchased merchandise
   b) Cost of purchased services
6. Personnel expenses
   a) Wages and salaries
   b) Social security
7. Amortisation of intangible assets and depreciation of property, plant and equipment
8. Other operating expenses
9. Other interest and similar income
10. Interest and similar expenses
11. Taxes on income (in the prior year income)
    – thereof deferred taxes EUR 257,374.36 (in the prior year EUR 81,310.94) –
12. **Results after taxes**
13. Other taxes
14. **Net income**

	1.4.2017 - 31.3.2018		1.4.2016 - 31.3.2017	
	EUR	EUR	EUR	EUR
		59,519,955.75		61,942,682.93
		4,564,183.79		7,095,441.83
		52,766.10		41,774.36
		1,234,362.49		1,018,855.84
	21,407,339.66		21,318,438.46	
	21,115,836.26	42,523,175.92	26,439,800.02	47,758,238.48
	9,736,315.75		9,597,474.14	
	1,841,890.31	11,578,206.06	1,839,365.32	11,436,839.46
		2,146,370.42		2,082,245.26
		5,797,324.43		6,081,090.02
		468,000.00		389,390.41
		1,598,184.72		832,394.18
		535,862.36		148,466.94
		1,660,144.22		**2,148,871.03**
		30,560.56		31,867.75
		1,629,583.66		**2,117,003.28**

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Notes to the financial statements for the financial year from 1 April 2017 to 31 March 2018

1 General information

Pursuant to Section 264a of the HGB, the provisions of Sections 264 to 330 of the HGB apply correspondingly for limited partnerships. As at the balance sheet date, the Company meets the size criteria for a large corporation as defined by Section 267 (3) of the HGB.

The Company is registered in the Commercial Register of the District Court in Dresden under number HRB 4934.

In preparing the annual financial statements, the provisions of the German Commercial Code for large corporations were observed with respect to recognition, valuation and presentation.

The income statement was prepared using the total cost method.

Minda KTSN is on a course of rapid expansion. In the financial year just ended, the new facility in Mexico was completed. This resulted in the need for substantial liquidity for the equipment of the factory building as well as the required start-up costs which have, to date, been financed by additional equity contributions by Minda KTSN's partners as well as short-term loans provided by financial institutions. As a result, the Company's liquidity is limited. We refer to the disclosures in the management report for additional information. We have therefore prepared these annual financial statements on the going concern assumption.

2 Accounting policies and measurement methods

The following accounting policies and measurement methods were, for the most part, applied unchanged in preparing the annual financial statements.

In prior years, **internally generated trademarks and similar rights and assets** were recognised at acquisition and production costs in accordance with Section 255 (2a) of the HGB. They are subject to scheduled amortisation over their useful lives. **Intangible assets acquired for consideration** are accounted for at acquisition cost and, if subject to expiration, amortised over their useful lives.

Property, plant and equipment is recorded at acquisition respectively production costs and, to the extent that it is subject to wear and tear, reduced by scheduled depreciation. Exceptions to this are low-value assets with costs from EUR 150.00 up to EUR 1,000.00, which are capitalised as a collective item at acquisition respectively production costs and depreciated over five years.

Shares included in **financial assets** are valued at the lower of acquisition cost and fair value.

Inventories are recognised at acquisition and production costs.

Inventories of **raw materials, consumables and supplies** as well as **merchandise** are recognised at average acquisition costs (mixed costs).

Work in progress and finished goods are measured at production cost on the basis of item by item valuation based on cost accounting records, including directly attributable material costs, labour and special direct costs as well as production and material overhead costs and amortisation and depreciation. Interest on borrowed capital and general administrative expenses are not included in the production costs.

The lower of cost or market value principle was applied in all cases.

All identifiable risks associated with **inventory** resulting from longer than average storage periods, limited ability to sell and lower replacement costs, are accounted for by appropriate write-downs.

Receivables and other assets are presented at their nominal value. Appropriate specific allowances have been recorded for all items that are subject to risk; the general credit risk is taken into account by way of a general valuation allowance.

Receivables from affiliated companies and liabilities to affiliated companies are individually netted to the extent that they are of the same nature in terms of type, maturity and due date.

Cash and cash equivalents are stated at their nominal value.

Payments made prior to the reporting date for expenses for a specific period after this date are presented as **prepaid expenses**.

Differences between the values assigned in the tax balance sheet and those in the commercial balance sheet (overall tax relief) which are expected to reverse in upcoming tax years were recorded as **deferred tax assets** pursuant to Section 274 (1) sentence 2 of the HGB.

Capital contributed by limited partners is recorded at the nominal amount of the capital account.

With respect to the ownership interest held in the general partner company KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH, Pirna (hereinafter referred to as “KTSN Kunststofftechnik”), **a special reserve for treasury shares recognised as assets** was recognised in accordance with the provisions set forth in Section 264c (4) of the HGB.

Subsidies and grants received in connection with investments made in 2004/2005 are recognised on the liability side in the **special item for investment subsidies and grants**. The special item is released to income over the average useful life of the subsidised assets.

Provisions for taxes and **other provisions** give consideration to all uncertain liabilities. They are recognised at the settlement amount deemed necessary based on reasonable business judgement.

Liabilities are stated at their settlement amount.

Foreign currency receivables and payables are recorded at the rate in effect when the transaction was recorded. Exchange rate losses incurred though the balance sheet date as a result of realisation or measurement at the spot rate on the balance sheet date in accordance with Section 256a of the HGB, have been recognised in the income statement.

Deferred liabilities include cash receipts prior to the balance sheet date which represent income for a specific period after this date.

3 Explanatory notes to the balance sheet

3.1 Fixed assets

The composition and development of individual items of fixed assets including amortisation and depreciation during the financial year is presented in the statement of movements in fixed assets. Please refer to the appendix to the notes to the financial statements.

3.2 Financial assets

3.2.1 Disclosures with respect to shareholdings

	Capital contributions	Shareholding	Equity	Earnings
	EUR'000	%	EUR'000	EUR'000
KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH, Pirna[1]	25	100.0	23	0
Minda KTSN Plastic Solutions SP. Z o.o., Bydgoszcz/Poland [2]	1,515	100.0	2,661	141
Minda KTSN Plastic Solutions s.r.o , Usti/Czech Republic[1]	597	100.0	-33	-162
Minda KTSN Plastic Solutions Mexico S. de R.L. de C.V., Queretaro/Mexico[2]	9,500	100.0	6,460	747

On the basis of the respective business plans and the positive development of the respective businesses of the participations held, the participations are not impaired. As per Section 253 (3) sentence 6 of the HGB, no use is made of the allowed alternative treatment to record a write-down if a permanent impairment in value is not deemed to exist.

3.3 Receivables and other assets

Of the receivables EUR 228k (in the prior year EUR 0k) have a remaining term of more than one year. As was the case in the prior year, the other assets have a remaining term of less than one year.

The receivables from affiliated companies of EUR 17,101k comprise loans extended to the subsidiary, Minda Mexico, totalling EUR 2,647k as well as trade receivables from Minda Mexico of EUR 14,375k. In addition, there are trade receivables from Minda Sai Ltd. in totalling EUR 78k. As was the case in the prior year, all receivables from affiliated companies have a term of up to one year.

3.4 Deferred taxes

In the financial year, the Company made use of the allowed alternative treatment pursuant to Section 274 (1) sentence 2 of the HGB.

Deferred taxes are determined in accordance with Section 274 (1) of the HGB in accordance with the temporary concept. On the basis hereof, all differences between the amounts recorded on the tax balance sheet and those recorded on the statutory balance sheet result in deferred taxes. The applicable tax rate for 2018 (14 %) served as the basis for the calculation.

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1 Disclosures relate to the financial year ended 31 March 2018.

2 Disclosures relate to the financial year ended 31 March 2018, disclosures regarding equity and earnings were translated at the official exchange rate as at 31 March 2018

The deferred tax asset is attributable to the municipal tax loss carried forward (EUR 338k) which was netted with the deferred tax liabilities resulting from a difference with respect to property, plant and equipment (EUR 157k). The presentation of the resulting debit balance of EUR 109k (in the prior year EUR 367k) was recorded in accordance with the allowed alternative treatment as per Section 274 (1) sentence 2 of the HGB.

3.5 Equity

By sale and purchase agreement dated 18 April 2007, Kunststofftechnik Sachsen Verwaltungsgesellschaft mbH assigned and sold all of its limited partnership interests in Minda KTSN to MINDA Corporation Limited (formerly: MINDA Huf Limited), Delhi, India. A partnership agreement was concluded for the first time in 2014/2015. Under the terms of this agreement, the Company shall maintain a capital account, a loan account, a reserve account and a loss carryforward account. For this reason, a change was made whereby the previously disclosed equity of only a portion of the limited partner's equity share was changed to now show the limited partner's capital contribution (liable capital) recorded in the commercial register and the reserve account. Furthermore, net income is not presented as an offset, as the partners' meeting still has to resolve upon its appropriation. The Company’s equity increased due to the results of the year 2017/2018 of EUR 1,630k and the partners’ capital contribution of EUR 2,500k to a total of EUR 20,456k (in the prior year EUR 16,326k).

The development of equity is presented below:

	31.3.2018	31.3.2017
	EUR’000	EUR’000
Equity of the limited partner	11,950	10,450
+ Capital reserves	6,876	3,759
+ Off-set of net income for the financial year	1,630	2,117
Equity as at 31 March	**20,456**	**16,326**
Calculation of the capital reserve		
Other limited partnership contributions	13,597	12,597
Prior period losses to be off-set with the equity shareholding of the limited partners	-13,431	-13,431
Off-set of the net income for prior financial years	6,710	4,593
Capital reserves	**6,876**	**3,759**

On the basis of a resolution, the EUR 2,500k contribution made in the prior year for the resolved upon increase in equity was reclassified to capital reserves during the financial year. Furthermore, the Company’s capital at risk was increased by EUR 1,500k subsequent to a resolution of the partners. This was then recorded in the commercial register.

3.6 Other provisions

The other provisions comprise personnel related provisions totalling EUR 797k (in the prior year EUR 653k) as well as outstanding invoices of EUR 1,616k (in the prior year EUR 1,203k).

3.7 Liabilities

3.7.1 Statement of liabilities

The remaining terms of the individual liabilities are presented in the following statement of liabilities.

	Total	Remaining term		
	31.3.2018	Up to 1 year	1 to 5 years	In excess of 5 years
	EUR'000	EUR'000	EUR'000	EUR'000
Liabilities to banks	34,492	21,592	12,900	0
(31.3.2017)	(24,481)	(18,181)	(6,300)	(0)
Payments received on account of orders	356	356	0	0
(31.3.2017)	(720)	(720)	(0)	(0)
Trade payables	9,199	7,803	1,396	0
(31.3.2017)	(9,006)	(6,240)	(2,766)	(0)
Liabilities to affiliated companies	8,190	8,190	0	0
(31.3.2017)	(4,556)	(4,556)	(0)	(0)
Other liabilities	2,421	1,707	714	0
(31.3.2017)	(1,426)	(1,119)	(307)	(0)
Total	**54,658**	**39,648**	**15,010**	**0**
Total (prior year)	**(40,189)**	**(30,816)**	**(9,373)**	**(0)**

In comparison with the prior year the liabilities to banks increased from EUR 24,481k to EUR 34,492k. This was primarily attributable to the taking on of a loan of EUR 10,500k to finance the project business, i.e., to prefinance the tools which cannot be billed to the customers until they have been completed. Liabilities to banks totalling EUR 13,650k (= EUR 10,500k loan * 1.3 %) are secured by the assignment of receivables from tooling projects and by pledging a bank account. Additional liabilities to banks totalling EUR 7,917k are secured by a bank guarantee provided by the parent company as well as EUR 10,800k by the existing fixed assets of Minda KTSN Pirna.

The trade payables presented comprise liabilities for customer loans from various automobile manufacturers totalling EUR 3,240k (in the prior year EUR 5,000k). The liabilities to affiliated companies include liabilities to the shareholder of EUR 6,150k (in the prior year EUR 1,800k).

3.7.2 Prohibition of dividend distributions

Pursuant to Section 268 (8) of the HGB, there is a prohibition with respect to the distribution of dividends up to the amount of the recorded deferred tax assets (EUR 109k; in the prior year EUR 367k).

3.7.3 Contingent liabilities

As at the balance sheet date, there is a contingent liability to the subsidiary Minda KTSN Plastic Solutions s.r.o, Usti/Czech Republic totalling EUR 300k for a working capital loan. The Company does not expect this to be utilised.

In addition, there is a contingent liability to Jupiter Europe GmbH, Pirna of up to EUR 6,500k for a working capital loan. The Company does not expect this to be utilised.

There were no additional contingent liabilities which were required to be disclosed in accordance with Section 251 of the HGB in conjunction with Section 268 (7) of the HGB.

3.7.4 Other financial obligations

	2018 – 2019	2019 – 2020	2020 – 2021	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Leases and rents	448	368	245	1,061
Purchase commitments for fixed assets	152	0	0	152
	600	**368**	**245**	**1,213**

Furthermore, there are the typical purchase commitments arising primarily from raw materials, consumables and supplies as well as merchandise of approximately EUR 5.6 million.

The Company extended a line of credit of a maximum amount of EUR 3.4 million which was unused as at the balance sheet to its subsidiary Minda KTSN Plastic Solutions Mexico S. de R.L. de C.V. Queretaro.

4. Notes on the income statement

4.1 Revenues

	2017/2018		2016/2017	
	EUR'000	%	EUR'000	%
Revenues by region				
Domestic	53,656	90.0	55,189	89.1
Foreign	5,864	10.0	6,753	10.9
	59,520	**100.0**	**61,942**	**100.0**

4.2 Other operating income

The other operating income primarily consists of income from the refunding of electricity taxes totalling EUR 112k (in the prior year EUR 123k), income from the rebilling of current costs totalling EUR 255k (in the prior period EUR 400k) as well as income attributable to other periods of EUR 651k (in the prior period EUR 261k), which resulted primarily from the release of other provisions of EUR 510k (in the prior year EUR 251k).

Furthermore, income from foreign currency translation totalled EUR 3k (in the prior year EUR 0k).

4.3 Other operating expenses

The other operating expenses primarily consist of legal and consulting costs totalling EUR 897k (in the prior year EUR 908k) as well as ancillary costs of monetary transactions totalling EUR 281k (in the prior year EUR 339k). Furthermore, warranty costs of EUR 658k (in the prior year EUR 981k) as well as maintenance expenses of EUR 874k (in the prior year EUR 812k) are included.

The other operating expenses include expenses attributable to other periods totalling EUR 12k (in the prior year EUR 294k).

In addition, there are expenses attributable to foreign currency translation totalling EUR 1k (in the prior year EUR 3k).

4.4 Managing and general partner

The managing partner, KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH, with subscribed capital of EUR 25k, is based in Pirna and has been registered in the Commercial Register of Dresden District Court, Section B, under no. 20898 since 25 November 2004. KTSN Kunststofftechnik is simultaneously the unlimitedly liable general partner. The general partner did not make a capital contribution.

Vinayak Hegde has been managing director of KTSN Kunststofftechnik since 6 December 2013.

The Company exercises the option provided by Section 286 (4) of the HGB.

4.5 Auditor's fee

In accordance with Section 285 no. 17 of the HGB, the following disclosure is made. Fees for the audit of the annual financial statements amounted to EUR 136k of which EUR 96k were for audit services and EUR 40k were for tax advisory services.

4.6 Employees

The average headcount during the financial year was as follows:

	2017/2018	2016/2017
Wage earners	232	232
Salaried employees	77	77
Subtotal	**309**	**309**
Trainees	11	13
Total	**320**	**322**

The total average number of employees pursuant to Section 285 (7) of the HGB was therefore 309.

4.7 Group affiliation

As at the balance sheet date, all of the shares of Minda KTSN were held by Minda Corporation Limited, Delhi, India. The Company is included in the consolidated financial statements of Minda Corporation Limited, Delhi, India, which prepares consolidated financial statements Minda Corporation Limited, Delhi, India for the largest group of companies.

In accordance with Section 290 of the HGB, Minda KTSN Plastic Solutions GmbH & Co. KG is required to prepare consolidated financial statements. It will prepare such consolidated financial statements for the smallest group of companies. The consolidated financial statements will be published in the German Federal Gazette.

4.8 Appropriation of earnings

A resolution on the appropriation of the EUR 1,630k in net income for the year will be passed at the next partners' meeting. The intention is to use this income to strengthen the Company’s equity base.

4.9 Subsequent events report

There were no events of particular significance subsequent to the end of the reporting period.

Pirna, 8 August 2018

KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH

Vinayak Hegde
Managing Director

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Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Movements in fixed assets during the period from 1 April 2017 to 31 March 2018 (detailed gross presentation)

	Acquisition and production costs				
	Carry forward as at 1.4.2017	Additions	Reclass-ifications	Disposals	Balance as at 31.3.2018
	EUR	EUR	EUR	EUR	EUR
I. Intangible assets					
1. Internally generated trademarks and similar rights and assets	180,000.00	0.00	0.00	0.00	180,000.00
2. Trademarks and similar rights and assets as well as licences to such rights and assets acquired for consideration	1,070,698.73	138,482.95	1,780.00	0.00	1,210,961.68
	1,250,698.73	**138,482.95**	**1,780.00**	**0.00**	**1,390,961.68**
II. Property, plant and equipment					
1. Land and buildings	14,213,944.34	103,285.41	1,084.95	0.00	14,318,314.70
2. Technical equipment and machinery	21,162,983.10	1,287,336.77	200,362.14	185,750.75	22,464,931.26
3. Other equipment, operating and office equipment	2,481,908.73	185,445.31	1,895.00	4,554.00	2,664,695.04
4. Advance payments and construction in progress	320,422.09	466,418.11	-205,122.09	115,300.00	466,418.11
	38,179,258.26	**2,042,485.60**	**-1,780.00**	**305,604.75**	**39,914,359.11**
III. Financial assets					
1. Shares in affiliated companies	6,740,148.44	4,897,000.00	0.00	0.00	11,637,148.44
2. Participations	1,000.00	0.00	0.00	0.00	1,000.00
	6,741,148.44	**4,897,000.00**	**0.00**	**0.00**	**11,638,148.44**
	46,171,105.43	**7,077,968.55**	**0.00**	**305,604.75**	**52,943,469.23**

Accumulated amortisation and depreciation				Carrying value	
Carry forward as at 1.4.2017	Amortisation and depreciation during the financial year	Disposals	Balance as at 31.3.2018	31/3/2018	31.3.2017
EUR	EUR	EUR	EUR	EUR	EUR
179,999.00	0.00	0.00	179,999.00	1.00	1.00
1,033,776.79	13,348.00	0.00	1,047,124.79	163,836.89	36,921.94
1,213,775.79	**13,348.00**	**0.00**	**1,227,123.79**	**163,837.89**	**36,922.94**
2,729,451.04	368,825.12	0.00	3,098,276.16	11,220,038.54	11,484,493.30
13,352,305.10	1,511,993.03	181,348.82	14,682,949.31	7,781,981.95	7,810,678.00
1,725,244.73	252,204.27	4,551.00	1,972,898.00	691,797.04	756,664.00
0.00	0.00	0.00	0.00	466,418.11	320,422.09
17,807,000.87	**2,133,022.42**	**185,899.82**	**19,754,123.47**	**20,160,235.64**	**20,372,257.39**
0.00	0.00	0.00	0.00	11,637,148.44	6,740,148.44
0.00	0.00	0.00	0.00	1,000.00	1,000.00
0.00	**0.00**	**0.00**	**0.00**	**11,638,148.44**	**6,741,148.44**
19,020,776.66	**2,146,370.42**	**185,899.82**	**20,981,247.26**	**31,962,221.97**	**27,150,328.77**

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Management report for the financial year from 1 April 2017 to 31 March 2018

Location: Pirna (Germany)

Location: Usti (Czech Republic)

Location: Bydgoszcz (Poland)

Location: Querétaro (Mexico)

Management
Marketing
Design development
Project management
Injection molding
High-end components
Controlling

Plant management
Assembly

Plant management
Tool development
Tool production
Injection molding
Assembly

Plant management
Marketing
Project management
Injection molding
Assembly

Management report – Table of contents

I. Company's business profile

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna, forms part of the globally operating Spark Minda Group (Ashok Minda Group Companies), Noida, India. The Spark Minda Group was established in 1958 and now has 36 business locations around the world. The Group generated sales of approx. EUR 435 million in 2017/2018.

The Spark Minda Group has three sites in Europe. Minda KTSN Plastic Solutions GmbH & Co. KG (hereinafter also referred to as “MINDA KTSN” or “MKTSN”) based in Pirna has been a part of the Spark Minda Group since 2007. In 2013, MINDA KTSN Plastic Solutions acquired all of the shares of Minda KTSN Plastic and Tooling Solutions Z.o.o., Bydgoszcz, Poland (hereinafter also referred to as “MKTSN PL”). At the beginning of 2015, Minda KTSN began operations at a new assembly site in Usti, Czech Republic. In February 2016, Minda KTSN established a new company in Mexico, Minda KTSN de Mexico. Since March 2017 kinematic components made of plastic such as glove compartments are produced at the new location in Queretaro. As a result of the Company’s implementation of the QCDD concept (Quality, Cost, Delivery, Development), the production of high quality products by all companies is provided for.
The Company's vision, its core values and business purpose are consistent with those of the Group headquarters in India. In addition to Group headquarters, European headquarters have been established under the direction of which the European companies are strategically aligned. Vinayak Hegde has been managing director of MKTSN since December 2013.

Additional information on the Spark Minda Group can be found on the company website: www.minda.co.in.

1. Company business model

The Company's business purpose is the development, production and sale of modules, systems and components for the interior fittings of vehicles and engine compartments of passenger cars and lorries. MKTSN is specialised on the production and processing of thermoplastics for the automotive supply industry. The Company supplies numerous automobile manufacturers (OEMs) as well as tier 1 suppliers. Our primary customers include Audi, BMW, Daimler, Plastic Omnium, Porsche and Volkswagen.

MKTSN's strategic focus is on producing large plastic parts, while the subsidiary in Poland concentrates on producing smaller synthetic components and tooling. In this manner, we can cover a wide assortment of business segments in terms of size of synthetic components.

Our subsidiaries in Poland, the Czech Republic and Mexico work closely with the parent company in Pirna. The Bydgoszcz/Poland site mainly designs, develops and delivers injection-moulding tools for direct customers in the automotive sector as well as for other industries. MKTSN PL has 28 injection moulding machines and assembly stations. Poland's low wages provide an important competitive advantage in the production of smaller components and assembly. Since its establishment, the subsidiary in Poland has continuously improved its competitiveness and continues to secure new customers. In Usti/Czech Republic, synthetic components are assembled in the initial configuration stage. The new site in Mexico was completed in the financial year just ended and provides customer deliveries as planned.

MKTSN's product portfolio of plastic parts primarily includes the following accessories and components:

• Glove compartments and storage compartments • Cup holders and ashtrays • Air outlets • Oil pans • Cylinder head covers and insulation	• Acoustic insulation • Tail door cover parts • Coated seat panels • Seating components • Steering column housing

Glove box MOPF (Daimler)

Connectors

Touran window frame (VW)

Touran tail door cover (VW)

Oil pan (Daimler)

Left speaker cover (Daimler)

Cylinder head covers in various forms (Daimler)

Air vents (Daimler)

Glove box Tiguan/Golf Plus (VW)

Left-side air vent (Daimler)

Cylinder cover (Daimler)

Q5 leather hood (Audi)

D4 Ashtray NWB (Audi)

D4 Ashtray LWB (Audi)

C7 front storage box (Audi)

Left long-reach air vent (Daimler)

AB2 MAL rear cup holder (Audi)

Middle air vent (Daimler)

C6 front cup holder cover (Audi)

Footwell vent (VW)

C6 driver-side cover (Audi)

Glove box Golf 5 RL (VW)

Glove box Tiguan/Golf Plus (VW)

Glove box Audi TT (Audi)

Rear cup holder AB2 MAL (Audi)

The following structural components are for the models BMW i03/i08:

2. Research and development

The research, development and technology department is key to strengthening the market position of Minda KTSN Plastic Solutions GmbH & Co. KG and to provide for a profitable future.
Our goal is to add a new product line/technology to our portfolio each year, thereby continuously expanding our product assortment. For the first time, in the financial year just ended, MKTSN utilised its R&D capacities to take part in corresponding customer requests for proposal.

Among others, in 2017/2018, we developed the following products and prepared their production:

- VW Jetta – glove box, storage compartments and instrument panel add-on components
- Audi Q3 & C-BEV – glove box and storage compartments
- Audi Q8 – cup holders
- Lamorghini Urus – cup holders

In 2018/19 various parts are to be developed for the Audi A-SUV, VW A-SUV, and Golf 8.

3. Management certifications

MKTSN has the following certifications:

- TS 16949 (quality management)
- ISO 14001 (environmental management)
- ISO 50001 (energy management)

II. Economic report

1. Overall economic and industry-related environment

The automotive market in Europe continued its growth in 2017. The 18,075 million new registrations in 2017 represented an increase of 3.8 % in comparison with the prior year level subsequent to the already positive figures in previous years. However, growth declined from + 6.8% previously, even though the new peak level in registrations was reached. MKTSN's primary market, Germany, showed 2.7% growth to 3,441 million automobiles thereby remaining at record levels (ACEA).

Due to its appealing customer structure, MKTSN is well positioned in this market environment and is benefiting from the international success of Germany's premium manufacturers and their strong sales in China.

In the year 2018, the automotive industry expects sales in Western Europe to be at approximately the prior year level due to the more substantial uncertainty attributable to the e-car debate and legislative proposals regarding the diesel engine. Nevertheless, MKTSN does not consider itself to be exposed to any risks as the share of SUV vehicle components is increasing significantly. This will compensate any potential losses of other models.

2. Business development

MKTSN's business development in the 2017/2018 financial year was characterised by the following events in particular:

- In production we added the production of glove boxes and storage compartments as well as instrument panel components for the VW Tiguan in Mexico for right hand drive vehicles as well as the same components for the new VW Jetta.
- Audi and VW awarded comprehensive orders in Germany for the two new vehicles with kinematic components, which have been designed as electronic vehicles. Furthermore, VW decided to award MKTSN extensive instrument panel components for the new Golf 8. The Company can thereby prove its performance capacity for VW's highest volume vehicle.

3. Economic position

3.1 Business management and KPIs

We manage our Company and business activities in a timely manner seeking to align these, as closely as possible, with our customers' needs. Our management system is characterised by a low degree of formalisation reflecting our needs. The low degree of formalisation allows us to respond quickly to changing conditions.

We have financial performance indicators to manage the business which are directly linked to our external accounting. Non-financial performance indicators focus on the main business activities (customers, production, employees).

Financial performance indicators

Revenues and results of ordinary operations are the Company's key performance indicators [1].

As per the prior year budget for financial year 2017/18, revenues from goods and services were expected to amount to EUR 56.2 million. The actual revenue exceeded budget by EUR 3.3 million totalling EUR 59.5 million. As such, revenues were EUR 2.5 million lower than in the prior year however substantially higher than budget. This resulted in particular from the increase in revenues as a result of customer tooling business. In 2017/18 the project business for customer tooling continued to develop very positively. In the current financial year, recorded revenues from project billings exceeded plan totalling EUR 17.3 million. In comparison, in the prior year approximately EUR 19.4 million were realised. This development continues to be primarily driven by the start-up of the subsidiary in Mexico and thereby by the development and project services taken on.

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1 Determination of the results of ordinary activities: results after taxes plus income tax

Within costs of materials, the costs of purchased services for customer tooling declined overproportionately to revenues from project billings by EUR 5.3 million to EUR 42.5 million.

In 2017/18 the results of ordinary activities did not change significantly in comparison with 2016/17 (EUR 2.2 million vs EUR 2.3 million). The after tax results totalled EUR 1.7 million as compared with EUR 2.1 million in the prior year. The return on sales (net income for the year / sales) declined correspondingly from 3.4% to 2.7%.

Non-financial performance indicators

- MKTSN annually conducts a customer satisfaction survey with satisfaction most recently at 87.7%, thereby 1.9 % higher than in the prior year. This primarily reflects management's decision to further develop the logistics area as well as production quality.
- As a further non-financial key performance indicator, MKTSN is striving to improve the employee turnover rate. The measured turnover in the current financial year was 9.9 % and declined substantially in comparison with the prior year (3.4%).

3.2 Results of operations

	2017-18 12 mon. EUR'000	Portion of total output	Change 17-18 EUR'000	2016-17 12 mon. EUR'000	Portion of total output
Total output	**65,371**	100.0%	-4,727	**70,098**	100.0%
Operating expenses	**62,045**	94.9%	5,313	**67,358**	96.1%
Operating results	**3,326**	5.1%	586	**2,740**	3.9%
Financial results	**-1,130**	-1.7%	-687	**-443**	-0.6%
Results before taxes	**2,196**	3.4%	-101	**2,297**	3.3%
Taxes	**566**	0.9%	-386	**180**	0.3%
Results after taxes	**1,630**	2.5%	-487	**2,117**	3.0%

Total output, consisting of sales, changes in inventory, other own work capitalised and other operating income, decreased year-on-year by EUR 4.7 million. Total output was impacted by the reduction of project revenues (EUR-2.1 million) as well as the lower increase in inventories (EUR-2.5 million).

The operating expenses of EUR 62.0 million amount to 94.9% (in the prior year 96.1%) of total output. The EUR 5.3 million reduction in operating expenses was due in particular to the lower variable costs in the form of costs of materials for the tooling business.

The financial results of EUR-1.1 million (in the prior year -0.4 million) are still at an acceptable level.

After giving consideration to taxes of EUR 566k, net income of EUR 1.6 million resulted (in the prior year EUR 2.1 million), which was slightly lower than the budgeted level of EUR 1.8 million. The increase of tax expenses resulted from the utilised, but previously existing, tax losses carried forward.

3.3 Net asset and capital structure

	31.3. 2018 EUR'000	%	*31.3. 2017 EUR'000*	%
Assets				
Fixed assets	*31,962*	41.0%	*27,150*	44.3%
Inventories	*17,578*	22.5%	*12,779*	20.8%
Receivables	*27,261*	34.9%	*19,116*	31.2%
Cash and collateral	*53*	0.1%	*1,114*	1.8%
Other assets	*1,096*	1.4%	*802*	1.3%
Deferred tax assets	*109*	0.1%	*367*	0.6%
	78,059	100.0%	***61,328***	100.0%
Equity and liabilities				
Equity and special item	*20,709*	26.5%	*19,105*	31.2%
Provisions	*2,692*	3.5%	*2,024*	3.3%
Liabilities / deferred income	*54,658*	70.0%	*40,199*	65.5%
	78,059	100.0%	***61,328***	100.0%

The EUR 4.8 million increase in fixed assets when compared with the prior year resulted primarily from increased shareholdings in affiliated companies which increased from EUR 6.7 million to EUR 11.6 million. This was primarily driven by the increase of the equity of the subsidiary in Mexico, for which a loan of EUR 4.5 million was converted to equity.

Inventories increased by EUR 4.8 million to EUR 17.6 million. Correspondingly, the receivables from affiliated companies increased by EUR 8.0 million. The increase was primarily driven by project billings as a result of the establishment of Minda's subsidiary in Mexico (EUR 14.4 million, in the prior year EUR 3.8 million).

For the afore mentioned reasons, assets increased from a total of EUR 61.3 million as at 31 March 2017 to EUR 78.1 million as at 31 March 2018. Due in particular to receivables from affiliated companies resulting from project billings, the asset structure changed notably with current assets accounting for 57.5% (in the prior year 53.8%) and fixed assets of 40.9% (in the prior year 44.3%).

The equity including the special item increased by the net income of EUR 1.6 million.

The equity ratio (including the special item and the contributions made to carry out the resolved upon increase in equity) declined to 26.5% (in the prior year 31.2%).

In comparison with the prior year, provisions increased by approximately EUR 0.7 million as a result of invoices which were still outstanding as at the reporting date.

In the financial year just ended, the liabilities were EUR 14.5 million higher. This was primarily attributable to the EUR 10.0 million increase in liabilities to financial institutions as a result of the taking on of new short- and mid-term loans for the financing of project costs. In total, the liabilities increased to EUR 54.7 million (in the prior year EUR 40.2 million).

3.4 Financial position

3.4.1 Liquidity

Overall the Company’s financial situation is still stable. In addition to the positive increase of equity as a result of the net income, the Company’s long-term financing was strengthened.

In addition, the parent company extended an unsecured loan of EUR 6.2 million to improve liquidity. Furthermore the parent company issued a binding letter of comfort on the basis of which it commits to provide further financial support and to safeguard the liquidity of Minda KTSN Plastic Solutions GmbH & Co. KG until 30. September 2019. This also includes support for the planned additional shareholder loan of EUR 4.5 million in September 2018. In addition, the shareholder has resolved to convert EUR 5.1 million of the shareholder loan totalling EUR 6.2 million to equity.

All of the tooling which MKTSN had previously prefinanced is now being paid on a project basis by the customers VW, Audi and BMW.

In addition, MKTSN successfully renegotiated the loan repayments with the customers. On the basis of these negotiations, the loan will be repaid in its entirety by mid-2019.

3.4.2 Investments

MKTSN made capital expenditures totalling approx. EUR 1.4 million in this financial year for machines, devices and buildings. A significant acquisition included a new injection moulding machine 1,300t totalling EUR 0.5 million. Furthermore, capital expenditures for devices for series production totalling another EUR 0.8 million were made.

In 2018/19 MKTSN plans additional capital expenditures totalling EUR 1.3 million for machines, building expansions as well as software.

Due to the complete utilisation of the existing building, capital expenditures were made for a new external storage facility to further increase storage capacity.

3.5 Overall assessment of the Company's economic position

We consider the Company's overall position to be satisfactory.

III. Outlook

In 2018/19 the Company will focus on the following aspects of its business activities:

1 The Company's growth orientation and the improvement of the net profit. For this purpose, various measures including "lean" production were introduced and logistics was optimised.
2 More substantial emphasis is being placed on integration and competence development at the site in Poland to create more positive synergies and competence interfaces and to provide for the completion of the first order from an OEM customer for kinematic components.
3 Securing new customers/adding supplementary products
4 Developing competencies in process engineering
5 Expansion of the Company's own development to meet the increasing customer requirements
6 Analysing customer satisfaction and actively addressing comments
7 Motivation of employees
8 Securing additional customers in Mexico
9 Securing orders for German OEM customers in China
10 Intensification of selling activities in Mexico & China

This focus is a part of managements' business plan for the next five years. We have budgeted revenues of EUR 53.3 million for financial year 2018/2019 due to the expected decline of revenues for customer tooling. The planned decrease in revenues in the upcoming financial year will also impact the results of ordinary activities. With respect hereto, we expect a slight decline in the upcoming financial year and have budgeted results of ordinary activities of EUR 1.7 million.

In addition, we plan to maintain our customers' satisfaction as well as the employee turnover rate (non-financial performance indicators) at the high level respectively to improve upon it.

No operational or management changes are planned. This will further strengthen the trust of the Company's stakeholders.

IV. Opportunities and risks report

1. Opportunities

1.1 Research and development as well as project management

Refer also to our comments in I. 2 (Research and development).

1.2 New orders

MKTSN intends to enter new markets with various other customers outside of Germany.
MKTSN also intends to establish a new OEM customer base. The business plan already includes a corresponding strategy with Group marketing. The objective will be to benefit from the changing sourcing strategy of OEM non-customers. The sales team will be further trained in order to achieve this.
In line with our "follow the customer" concept, MKTSN is planning to manufacture components in countries or markets preferred by customers.

1.3 Expansion of production capacities at our Polish subsidiary MKTSN PL

Management is concentrating on a step by step capacity expansion of 20 to 25 % annually for MKTSN PL's tooling sales. The company has available space for the expansion and this space is being converted and equipped for this purpose. The increase in revenues will undoubtedly lead to an improvement in net income.

1.4 Market

On the whole, the automobile market in Europe remained very robust in 2017, with a continuing slight upward trend, showing catch-up-driven growth rates in several countries. In 2017 we noted that for various models for which MKTSN supplies components, sales were again higher than expected. Going forward, we do not expect the market to grow further. The automobile production forecast for Germany calls for stable volume in 2018.

MKTSN prepared a five-year business plan. The sales plan was derived from the Industry IHS Forecast / confidence in the future models with the customers and the potential market. A realistic sales plan was prepared and, on the basis of this plan, financial projections were prepared. In all respects – revenues, profits and losses and cash flows – the business looks promising.

As a supplement to the business plan, MKTSN is also preparing a financial budget for the year 2018/2019 which is, in its entirety, aligned with the business plan.

To the extent that MKTSN PL is affected by the continuous growth of revenues and net profits, the company looks more and more promising from year to year. Overall, the economic activities of MKTSN appear extremely promising. With its new assembly location in the Czech Republic, MKTSN has established an ideal basis for cutting costs. Further activities are envisioned to help meet customer requirements with a production site in Mexico. The Company intends to develop a facility in China in the greater Beijing area.

2. Risks

Revenues

As a production company, the Company is exposed to the general risk of declining sales in the automotive industry or that product development is not in line with customer needs. Due to the current positive sales development and new orders, we feel that the aforementioned development activities represent a successful measure to minimise this risk. Furthermore, the sales successes of the prior financial year are to be considered, as a result of which MKTSN will partake in the electronic automobile boom. As such, we consider this risk to be low.

A fundamental risk is the inability to assess the developments in China with a saturated market and the dynamic developments of electronic automobiles as well as driving restrictions for diesel vehicles. Due to the previous low sales volumes in China, we consider this risk low.

Material

Management considers the ongoing, in part substantial, price increases for raw materials, due to the global scarcity in terms of raw materials and preliminary products as well as profit maximisation measures of the raw material manufacturers, to pose the most substantial risk to the development of the Company's profitability. We are endeavouring to minimise those risks on the basis of ongoing negotiations with our customers and suppliers (rationalisation potential). A key measure is procurement on the basis of group synergies and a global approach. In terms of energy prices, the Company has a contract with a longer term so as to provide some planning certainty. As such, this risk is currently manageable.

As part of its business plan, MKTSN has prepared a sensitivity analysis in which all risks are assessed in detail. These risks were assessed from a business perspective in relation to each customer. The Company has set up an action plan to mitigate exposure.

Equity

The Company's ability to obtain future financing is supported by the successful cooperation with a new bank as well as a further leasing partner. A new shareholder loan totalling EUR 4.5 million is planned to be taken on in September 2018. In addition, the shareholder has resolved to convert EUR 5.1 million of the shareholder loan totalling EUR 6.2 million to equity. The Company is dependent on the support of its parent company, Minda Corporation Limited, Delhi/India, for this. Furthermore, as at the balance sheet date 31 March 2018, there are working capital loans of EUR 12.8 million which can be terminated at short notice. Management believes that these can be extended with favourable interest terms. Nonetheless, there is the risk that the loans can be called by the banks at short notice. In such a case, the Company would also be dependent on the support of Minda Corporation.

For this reason, on 31 March 2018, the parent company issued a binding letter of comfort to the Company through 30 September 2019. In this, further financial support is committed to provide for the liquidity of Minda KTSN Plastic Solutions GmbH & Co. KG until 30 September 2019.

The ability of the Company to continue as a going concern is dependent on the continued financial support by the parent company, Minda Corporation Limited, Delhi/India. This particularly applies for the loan to be taken on in September 2018, the planned conversion of the shareholder loan to equity as well as with respect to the repayment of the working capital loan.

Management believes such support will be provided as a result of which it believes that it is highly probably that the Company will continue as a going concern.

Additional risk management measures introduced

The Company has adopted measures to address the aforementioned risks. With respect to the material price increases, the Company is negotiating with customers to raise prices within the scope of compensation arrangements which are expected to be concluded during the course of 2018. In future projects, a material price adjustment clause will already be given priority in negotiations in that it will already be a component of all offers.

In 2013 Ashok Minda Group started a procurement project which is being continued. On the basis of these measures, the Company is assessing the possibility of sourcing, in particular material, from India in the best possible manner and tooling from low cost countries such as China.

Pirna, 8 August 2018

KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH

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Vinayak Hegde
Managing Director

Legal Status

Registered name	Minda KTSN Plastic Solutions GmbH & Co. KG
Registered office	Pirna
Partnership agreement	The partnership agreement dated November 2016 is in effect.
Commercial Register	The Company is registered in the Commercial Register of the Dresden District Court, Section A, number HRA 4934. The latest extract available to us is dated 23 July 2018.
Company's purpose	The Company's purpose is to develop, manufacture and sell technical parts, components, systems, devices and tools, primarily in the field of plastics engineering.
Financial year	The Company's financial year begins on 1 April of each year and ends on 31 March of the following year.
Capital structure	

	Capital contributions	Share
	EUR	%
General partner		
KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH, Pirna	0.00	0.00
Limited partner		
Minda Corporation Limited, Delhi/India	100.00	100.00

The limited partner's capital contribution is recorded in the Commercial Register at the corresponding amount.

Equity accounts and distribution of profit or loss	In accordance with the partnership agreement, an equity and a loan account are to be maintained for each partner. Furthermore, the Company maintains a joint reserve account and a retained earnings/accumulated loss account for all partners. The appropriation of the annual results is decided upon at the partners' meeting. Non-withdrawable profits are credited to the reserve account and losses are charged up to the amount of the credit balance. These charges are borne by the partners in accordance with their shareholding. This account is non-interest bearing. On the basis of a majority of the votes available in accordance with the partnership agreement, the partners can resolve to release any credit balance in the reserve account in part or in its entirety and to transfer such balance to the loan account of the limited partners in proportion to the ownership percentage.

Prior year's financial statements	At the partners' meeting held on 11 November 2017, the annual financial statements as at 31 March 2017, which were prepared by management, audited by us and provided with an unqualified auditor's report, were presented together with the management report, and the financial statements were approved.
Size of the Company	The Company is deemed a large corporation as defined by Section 264a in conjunction with Section 267 (3) of the HGB.
Affiliated companies	Pursuant to Section 271 (2) of the HGB, the Company is an affiliated company of Minda Corporation Limited, Delhi, India. The annual financial statements as at 31 March 2018 are included in the consolidated financial statements of Minda Corporation.
Managing directors and legal representatives	The Company is managed by the unlimitedly liable general partner, KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH, Pirna. The members of management are listed in the Company's notes to the annual financial statements (Appendix 1.3). In legal dealings between the governing bodies and the Company, the Company and its governing bodies are released from the restrictions imposed by Section 181 of the German Civil Code (BGB).
Tax status	The Company is registered at the Dresden Nord Tax Office under tax number 202/120/02926. An external tax audit for value added tax and municipal trade tax for the years 2011 to 2013, announced to the Company on 26 March 2015 was carried out during the financial year. It was concluded with a tax audit report dated 2 January 2018. The results of the tax audit were given consideration in these annual financial statements.

Appendix 3
General Engagement Terms

[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*) [*Translators 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.