Financial Statements as at 31 March 2017 and Management Report

TRANSLATION – AUDIT REPORT

Minda KTSN Plastic Solutions GmbH & Co. KG
Pirna

KPMG AG Wirtschaftsprüfungsgesellschaft

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

Appendices

Glossary

Audi	Audi AG, Ingolstadt
BMW	BMW AG, Munich
Daimler	Daimler AG, Stuttgart
Faurecia	Faurecia S.A., Nanterre
Grameda	Grameda Vermietungsgesellschaft mbH, Grünwald
Grisleva	Grisleva Vermietungsgesellschaft mbH, Grünwald
HGB	(German) Commercial Code [Handelsgesetzbuch]
IDW	German Institute of Public Accountants [Institut der Wirtschaftsprüfer in Deutschland e.V.], Duesseldorf
KTSN Kunststofftechnik	KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH, Pirna
Lear Corporation	Lear Corporation GmbH, Ginsheim-Gustavsburg
Minda KTSN PL	Minda KTSN Plastic and Tooling Solutions Z.o.o., Bydgoszcz/Poland
Minda Corporation	Minda Corporation Limited, Delhi/India
Minda Europe	Minda Europe GmbH, Esslingen
Minda KTSN	Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna
Minda Management Service	Minda Management Service Limited, Delhi/India
Minda CZ	Minda KTSN Plastic Solutions s.r.o., Liberec/Czech Republic
OEM	Original equipment manufacturer
Opel	Adam Opel AG, Ruesselheim am Main
SAB	Sächsische Aufbaubank – Förderbank, Dresden
TS	Technical specification
VW	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 24 April 2017 we were appointed as auditors for the financial year from 1 April 2016 to 31 March 2017. Accordingly, management has engaged us to audit the financial statements for the year ended 31 March 2017, 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 2017.

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 4. 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 Evaluation of Management's Assessment of the Company's Position

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

- In financial year 2016/2017 sales increased to EUR 61.9 million thereby exceeding budgeted sales of EUR 46.0 million. This was primarily attributable to the increase in the project business for customer tooling due to the establishment of the subsidiary in Mexico and the corresponding development and project services. As such, in the current financial year sales attributable to project billings totalled approx. EUR 19.0 million (in the prior year approx. EUR 8.6 million).

- The results from ordinary operations in 2016/2017 did not change significantly due primarily to the EUR 17.5 million increase in expenses for procured services for customer tooling and amounted to EUR 2.3 million. The after tax results increased by EUR 0.2 million to EUR 2.1 million.

- Overall, the assets increased from EUR 43.3 million as at 31 March 2016 to EUR 61.3 million as at 31 March 2017. The assets primarily increased as a result of the EUR 2.1 million increase in the shareholding in the subsidiary in Mexico to EUR 6.7 million on the basis of capital increases, the EUR 4.0 million increase in inventories and the EUR 6.8 million increase in receivables from affiliated companies. The increase resulted from higher project billings (EUR 3.8 million, in the prior year EUR 0.3 million) as a result of the establishment of the subsidiary in Mexico, a loan granted to this Company in the amount of EUR 4.5 million, off-set by the repayment of a loan of EUR 1 million was repaid to Minda Europe GmbH.

- The equity and liabilities side of the balance sheet was impacted by the net income of EUR 2.1 million, the contributions of EUR 4.0 million into the equity shareholding of the limited partner as well as the payments made to complete the equity increase resolved upon totalling EUR 2.5 million. In addition, the EUR 7.9 million increase in the liabilities to banks as a result of the new loans taken on to finance the project costs led to an increase in the balance sheet total.

- The Company considers the financial position to be stable. In addition to the increase in equity as a result of the improvement in results, the Company's long-term financing was strengthened.

- In the year 2017/2018 capital expenditures totalling EUR 1.5 million are planned for machinery, a building expansion and software.

- The Company plans sales of EUR 56.2 million in financial year 2017/2018 as well as a slight decline in results of ordinary activities. The after tax results in 2017/2018 are expected to amount to EUR 1.8 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 Company considers the development of raw material prices to be the most significant risk. On the basis of ongoing negotiations with customers and suppliers, the Company is seeking to minimise this risk. Simultaneously, the Company has identified the general risk of declines in automotive sales markets or that the product developments do not correspond with customer needs.
- In the opinion of management, the ability to finance the Company is supported by the successful cooperation with a new bank as well as an additional leasing partner. Along with the support of the external financial institutions, for the most part, the Company's operating business is financed by the parent company, Minda Corporation. Management expects the required financing to continue to be available in the future.

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 significant opportunities and risks of future development.

Refer to Appendices 2 and 3 for information on the Company's business profile and legal status.

3 Performance of the Audit

3.1 Scope of the audit

We have audited the 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 2017. The Company's management is responsible for

- the maintenance of the books and records,
- the preparation of the 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 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 financial statements or the management report.

3.2 Nature and scope of audit procedures

We conducted our audit of the 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 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 personnel, procurement and sales processes – Existence and valuation of inventories – Valuation of shareholdings in affiliated companies – Existence and valuation of trade receivables – Completeness of trade payables – Revenue recognition cut-off – Completeness and accuracy of disclosures in the notes to the financial statements
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 September 2017 and completed it on 29 September 2017. We performed an interim audit in March 2017.

All explanations and evidence requested by us were provided. Management confirmed in writing that the accounting records, the 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 Financial statements

The financial statements as at 31 March 2017, 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 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 management report, prepared by management, complies with statutory regulations. The management report is consistent with the 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 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.

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	2,826	5
Minda KTSN Plastic Solutions s.r.o , Usti/Czech Republic[1]	200	100.0	./.255	./.109
Minda KTSN Plastic Solutions Mexico S. de R.L. de C.V. Quere'taro[2]	5,000	100.0	4,124	./.736

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 Solutions s.r.o ,Usti/Czech Republic and Minda KTSN Plastic Solutions Mexico S. de R.L. de

1 Disclosures relate to the financial year which ended 31 March 2017.

2 Disclosures for the financial year which ended 31 March 2017, equity and results were translated using the official exchange rate as at 31 March 2017.

C.V. Queretaro 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 367k 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 financial statements

Based on an overall consideration of the accounting policies and structured transactions described above, we are of the opinion that the 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 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 2016 to 31 March 2017. 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 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.

Dresden, 29 September 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Strom	Dr. Thiere
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Appendices

Appendix 1
Financial Statements
as at 31 March 2017
and Management Report

1.1 Balance sheet

1.2 Income statement

1.3 Notes

1.4 Management report

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Balance sheet as at 31 March 2017

Assets

	31.3.2017		31.3.2016	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
1. Internally generated trademarks and similar rights and assets	1.00		24,546.00	
2. Trademarks and similar rights and assets as well as licenses to such rights and assets acquired for consideration	36,921.94	36,922.94	24,802.94	49,348.94
II. Tangible assets				
1. Land and buildings	11,484,493.30		11,657,340.30	
2. Technical equipment and machinery	7,810,678.00		8,715,560.00	
3. Other equipment, operating and office equipment	756,664.00		789,955.00	
4. Advance payments and construction in progress	320,422.09	20,372,257.39	565,944.51	21,728,799.81
III. Financial assets				
1. Shares in affiliated companies	6,740,148.44		2,150,148.44	
2. Participations	1,000.00	6,741,148.44	1,000.00	2,151,148.44
		27,150,328.77		**23,929,297.19**
B. Current assets				
I. Inventories				
1. Raw materials, consumables and supplies	3,068,141.93		3,284,536.59	
2. Work in progress	8,843,215.03		1,965,681.54	
3. Finished goods and merchandise	867,582.32		642,686.02	
4. Advance payments	0.00	12,778,939.28	2,922,594.06	8,815,498.21
II. Receivables and other assets				
1. Trade receivables	8,507,399.89		5,787,876.90	
2. Receivables from affiliated companies	9,094,154.76		2,273,157.79	
3. Other assets	1,514,820.14	19,116,374.79	561,840.98	8,622,875.67
III. Cash and bank balances		1,113,871.67		910,143.70
		33,009,185.74		**18,348,517.58**
C. Prepaid expenses		**801,606.53**		**532,975.16**
D. Deferred tax assets		**366,555.22**		**447,866.16**
		61,327,676.26		**43,258,656.09**

Equity & liabilities

	31.3.2017 EUR	31.3.2016 EUR
A. Equity		
I. Capital contributed by limited partners	10,450,001.00	6,450,001.00
II. Reserves	3,759,152.59	1,808,996.88
III. Net income for the year	2,117,003.28	1,950,155.71
	16,326,156.87	**10,209,153.59**
B. Contributions made for the resolved upon increase in equity	**2,500,000.00**	**0.00**
C. Special reserve for treasury shares recognised as assets	**25,000.00**	**25,000.00**
D. Special item for investment subsidies and grants	**253,229.99**	**297,360.20**
E. Provisions		
1. Tax provisions	168,382.00	262,759.11
2. Other provisions	1,856,105.27	2,047,509.42
	2,024,487.27	**2,310,268.53**
F. Liabilities		
1. Liabilities to banks	24,480,910.90	16,583,666.67
2. Payments received on account of orders	720,111.91	283,758.90
3. Trade payables	9,006,234.52	9,808,172.21
4. Liabilities to affiliated companies	4,555,982.19	1,965,044.55
5. Other liabilities	1,426,362.61	1,741,731.44
– thereof for taxes EUR 424,702.38 (in the prior year EUR 578,439.56) –		
– thereof for social security EUR 1,836.95 (in the prior year EUR 0.00) –		
	40,189,602.13	**30,382,373.77**
G. Deferred liabilities	**9,200.00**	**34,500.00**
	61,327,676.26	**43,258,656.09**

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Income statement for the period from 1 April 2016 to 31 March 2017

1. Sales
2. Increase (in the prior year decrease) 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 tangible assets
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 81,310.94 (in the prior year EUR 447,866.16) –

12. Results after taxes

13. Other taxes

14. Net income

	1.4.2016 - 31.3.2017		1.4.2015 - 31.3.2016	
	EUR	EUR	EUR	EUR
		61,942,682.93		50,227,619.18
		7,095,441.83		-18,700.70
		41,774.36		69,010.47
		1,018,855.84		1,758,590.31
	21,318,438.46		21,207,382.67	
	26,439,800.02	47,758,238.48	9,935,450.48	31,142,833.15
	9,597,474.14		9,269,416.63	
	1,839,365.32	11,436,839.46	1,763,684.03	11,033,100.66
		2,082,245.26		1,537,515.64
		6,081,090.02		6,120,505.03
		389,390.41		151,301.37
		832,394.18		714,267.40
		148,466.94		-345,651.61
		2,148,871.03		**1,985,250.36**
		31,867.75		35,094.65
		2,117,003.28		**1,950,155.71**

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Notes to the financial statements for the financial year from 1 April 2016 to 31 March 2017

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 31681.

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

The Accounting Directive Implementation Act [Bilanzrichtlinie-Umsetzungsgesetz] (BilRUG) was adhered to. Due to the implementation of the BilRUG, some, subsequently described, financial statement line items are no longer comparable with those of the prior year in terms of amounts. With respect to the changes of the BilRUG, corresponding prior year information is presented within the respective item.

The income statement was prepared using the total cost method.

2 Accounting policies and measurement methods

The following accounting policies were, for the most part, applied unchanged in preparing the 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 attrition, amortised over their useful lives.

Tangible assets are recorded at acquisition respectively production costs and, to the extent that they are 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).

Advance payments are recognised at the amount of the payments actually made.

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 as a liability 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.

The **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.

In the 2011 financial year, internally generated intangible assets in the amount of EUR 180k were capitalised in accordance with the allowed alternative treatment provided under Section 248 (2) of the HGB. These capitalised expenses comprised development expenses for projects which have been completed. They are amortised pro rata temporis over a period of five years. The carrying value as at the balance sheet date amounted to EUR 0k (in the prior year EUR 25k).

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	2,826	5
Minda KTSN Plastic Solutions s.r.o , Usti/Czech Republic[1]	200	100.0	./.255	./.109
Minda KTSN Plastic Solutions Mexico S. de R.L. de C.V. Quere'taro[2]	5,000	100.0	4,124	./.736

In the prior period, a new subsidiary, Minda KTSN Plastic Solutions Mexico S. de R.L. de C.V was established. The purpose of its business is the production and assembly of injection moulded parts for the automotive industry. The company began its operating activities in early 2017.

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. No use is made of the allowed alternative treatment as per Section 253 (3) sentence 6 of the HGB to record a write-down if a permanent impairment in value is not deemed to exist.

3.3 Receivables and other assets

As was the case in the prior year, all receivables and other assets have a remaining term of under one year. Receivables from the fiscal authorities totalling EUR 210k were settled as the payment of the investment subsidy was made.

Other assets amount to EUR 1,515k, thereof EUR 1,007k from affiliated companies of the parent company.

Receivables from affiliated companies amount to EUR 9,094k. These consist of loans issued to subsidiaries i.e., Minda Mexico (EUR 8,413k), Minda Poland (EUR 500k), Minda Czech Republic (EUR 100k) as well as Minda Sai Ltd. (EUR 81k).

1 Disclosures relate to the financial year ended 31 March 2017.

2 Disclosures relate to the financial year ended 31 March 2017, disclosures regarding equity and earnings were translated at the official exchange rate as at 31 March 2017

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 2016 (14%) served as the basis for the calculation.

The deferred tax asset is attributable to the municipal tax loss carried forward (EUR 1,594k) which was netted with the deferred tax liabilities resulting from a difference with respect to tangible assets (EUR 157k). The presentation of the resulting debit balance of EUR 367k (in the prior year EUR 448k) 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 of EUR 2,117k and the partners’ capital contribution of EUR 4,000k to a total of EUR 16,326k (in the prior year EUR 10,209k).

The development of equity is presented below:

	31.03.2017	31.03.2016
	EUR'000	EUR'000
Equity of the limited partners	**10,450**	**6,450**
+ Capital reserves	3,759	1,809
+ Off-set of net income for the financial year	2,117	1,950
Equity of the limited partners as at 31 March	**16,326**	**10,209**
Calculation of the capital reserve		
Other limited partnership contributions	12,597	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	4,593	2,643
Capital reserves	**3,759**	**1,809**

In the financial year the Company received a contribution of EUR 2,500k to increase the limited partnership contribution of Minda Corporation Limited pursuant to the partnership resolutions. Up to the balance sheet date, no entry was made in the Commercial Register to record the increase in the limited partnership contribution. An entry to record the initial portion of the increase in the limited partnership capital totalling EUR 1,500k was made on 23 May 2017. The entry of the second portion of EUR 1,000k is expected. The payment received totalling EUR 2,500k was recorded on the balance sheet under equity as a separate item „Contributions made for the resolved upon increase in equity".

3.6 Other provisions

The other provisions primarily comprise personnel provisions totalling EUR 653k (in the prior year EUR 679k) as well as outstanding invoices of EUR 1,203k (in the prior year EUR 1,091k).

3.7 Liabilities

3.7.1 Statement of liabilities

The remaining terms of the individual liabilities are presented in the following statement of liabilities (disclosures in EUR k).

	Total	Remaining term		
	31.3.2017	Up to 1 year	1 to 5 years	Over 5 years
	EUR'000	EUR'000	EUR'000	EUR'000
Liabilities to banks	24,481	18,181	6,300	0
(31.3.2016)	(16,584)	(16,584)	(0)	(0)
Payments received on account of orders	720	720	0	0
(31.3.2016)	(284)	(284)	(0)	(0)
Trade payables	9,006	6,240	2,766	0
(31.3.2016)	(9,808)	(4,274)	(5,534)	(0)
Liabilities to affiliated companies	4,556	4,556	0	0
(31.3.2016)	(1,965)	(1,965)	(0)	(0)
Other liabilities	1,426	1,119	307	
(31.3.2016)	(1,742)	(1,271)	(471)	(0)
Total	**40,189**	**30,816**	**9,373**	**0**
Total (prior year)	**(30,382)**	**(24,378)**	**(6,005)**	**(0)**

In comparison with the prior year, the liabilities to banks increased from EUR 16,584k to EUR 24,481k. This was, on the one hand, due to new loans taken on totalling EUR 9,500k to finance the projects and, on the other hand, to the partial repayment of another line of credit (EUR 1,666k). Liabilities to banks totalling EUR 5,000k are secured by the assigning of receivables from tooling projects and by pledging a bank account.

The trade payables presented comprise liabilities for customer loans from various automobile manufacturers totalling EUR 5,000k (in the prior year EUR 7,000k). The liabilities to affiliated companies include liabilities to the shareholder of EUR 1,800k (in the prior year EUR 0k).

3.7.2 Prohibition of dividend distributions

There is a prohibition with respect to the distribution of dividends up to the amount of the recorded deferred tax assets (EUR 367k) pursuant to Section 268 (8) of the HGB.

3.7.3 Contingent liabilities

As at the balance sheet date, there were no 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

	2017 – 2018	2018 – 2019	2019 – 2020	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Leases and rents	261	255	100	616
Purchase commitments for fixed assets	286	0		286
	547	**255**	**100**	**902**

4. Notes on the income statement

4.1 Sales

The new definition of sales pursuant to the BilRUG requires reclassifications totalling EUR 534k (in the prior year EUR 339k) from other operating income to sales. These amounts were primarily attributable to management fees for subsidiaries in Poland and Mexico.

	31.3.2017		31.3.2016 pursuant to BilRUG	
	EUR'000	%	EUR'000	%
Sales by region				
Domestic	55,189	89.1	42,119	83.3
Foreign	6,753	10.9	8,447	16.7
	61,942	**100.0**	**50,566**	**100.0**

4.2 Other operating income

The other operating income primarily consists of income from the refunding of electricity taxes totalling EUR 123k (in the prior year EUR 136k), the release of the special item totalling EUR 44k (in the prior year EUR 70k) as well as income from the release of provisions totalling EUR 251k (in the prior year EUR 407k). In addition, income from the rebilling of current costs totalling EUR 400k (in the prior period EUR 129k) was recorded.

4.3 Other operating expenses

The other operating expenses primarily consist of legal and consulting costs totalling EUR 908k (in the prior year EUR 758k) as well as ancillary costs of monetary transactions totalling EUR 339k (in the prior year EUR 477k). Furthermore, warranty costs of EUR 981k (in the prior year EUR 683k) are included.

The other operating expenses include expenses attributable to other periods totalling EUR 294k (in the prior year EUR 134k).

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 138k of which EUR 97k were for audit services and EUR 41k were for tax advisory services.

4.6 Employees

The average headcount during the financial year was as follows:

	2016/2017	2015/2016
Wage earners	232	253
Salaried employees	77	70
Subtotal	**309**	**323**
Trainees	13	11
Total	**322**	**334**

The total average number of employees was therefore 322.

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 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 2,117k 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.

4.9 Subsequent events report

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

Pirna, 30 June 2017

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 2016 to 31 March 2017 (detailed gross presentation)

	Acquisition and production costs				
	Carry forward as at 1.4.2016	Additions	Reclassi-fications	Disposals	Balance as at 31.3.2017
	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	1,049,049.58	20,060.98	1,588.17	0.00	1,070,698.73
	1,229,049.58	**20,060.98**	**1,588.17**	**0.00**	**1,250,698.73**
II. Tangible assets					
1. Land and buildings	14,028,211.31	31,885.87	153,847.16	0.00	14,213,944.34
2. Technical equipment and machinery	20,633,881.25	180,897.37	365,704.48	17,500.00	21,162,983.10
3. Other equipment, operating and office equipment	2,270,350.36	192,152.37	19,406.00	0.00	2,481,908.73
4. Advance payments and construction in progress	565,944.51	295,023.39	-540,545.81	0.00	320,422.09
	37,498,387.43	**699,959.00**	**-1,588.17**	**17,500.00**	**38,179,258.26**
III. Financial assets					
1. Shares in affiliated companies	2,150,148.44	4,590,000.00	0.00	0.00	6,740,148.44
2. Participations	1,000.00	0.00	0.00	0.00	1,000.00
	2,151,148.44	**4,590,000.00**	**0.00**	**0.00**	**6,741,148.44**
	40,878,585.45	**5,310,019.98**	**0.00**	**17,500.00**	**46,171,105.43**

	Accumulated amortisation and depreciation				Carrying value	
Carry forward as at 1.4.2016	Amortisation and depreciation during the financial year	Reclassi-fications	Disposals	Balance as at 31.3.2017	31/3/2017	31.3.2016
EUR	EUR	EUR	EUR	EUR	EUR	EUR
155,454.00	24,545.00	0.00	0.00	179,999.00	1.00	24,546.00
1,024,246.64	9,530.15	0.00	0.00	1,033,776.79	36,921.94	24,802.94
1,179,700.64	**34,075.15**	**0.00**	**0.00**	**1,213,775.79**	**36,922.94**	**49,348.94**
2,370,871.01	358,580.03	0.00	0.00	2,729,451.04	11,484,493.30	11,657,340.30
11,918,321.25	1,444,740.71	0.00	10,756.86	13,352,305.10	7,810,678.00	8,715,560.00
1,480,395.36	244,849.37	0.00	0.00	1,725,244.73	756,664.00	789,955.00
0.00	0.00	0.00	0.00	0.00	320,422.09	565,944.51
15,769,587.62	**2,048,170.11**	**0.00**	**10,756.86**	**17,807,000.87**	**20,372,257.39**	**21,728,799.81**
0.00	0.00	0.00	0.00	0.00	6,740,148.44	2,150,148.44
0.00	0.00	0.00	0.00	0.00	1,000.00	1,000.00
0.00	**0.00**	**0.00**	**0.00**	**0.00**	**6,741,148.44**	**2,151,148.44**
16,949,288.26	**2,082,245.26**	**0.00**	**10,756.86**	**19,020,776.66**	**27,150,328.77**	**23,929,297.19**

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

<u>Management report for the financial year from 1 April 2016 to 31 March 2017</u>

Location: Pirna (Germany)

Location: Usti (Czech Republic)

Location: Bydgoszcz (Poland)

Pirna (Germany)	Usti (Czech Republic)	Bydgoszcz (Poland)
Management, Marketing Design development Project management Injection molding High-end components Controlling	Plant management Assembly	Plant management Tool development Tool production 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 419 million in 2016/2017.

The Spark Minda Group has three sites in Europe. Minda KTSN Plastic Solutions GmbH & Co. KG (hereinafter also referred to as "Minda KTSN") 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 set up 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 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 has ten injection moulding machines available in the initial configuration stage for the processing of the orders already received.

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


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 (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 providing for a profitable future. The Company stepped up its engineering, project management and quality planning resources by hiring new staff in 2016/2017 to reflect the expansion of the business activities in Usti and Queretaro.

Our goal is to add a new product line/technology to our portfolio each year, thereby continuously expanding our product assortment. MKTSN will invest in modern software in order to meet our customers' demands and to be competitive. We have invested in laboratory and measurement rooms so as to be able to provide our customers with solutions from a single source. We have earmarked additional resources for the future in our budget to ensure that we remain on track.

Among others, in 2016/2017, we developed the following products and prepared their production:

- VW Touareg – armrest
- Audi A8 – glove box and storage compartments

In 2017/18 various parts are to be developed for the Audi Q3, C-BEV, Q8 and Lamborghini Urus. In addition to the market in Germany respectively Europe, parts are being developed for the new edition of the Jetta for VW Mexico including the glove box, steering column covers and instrument panel components.

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 Western Europe continued its growth in 2016. The 14.6 million new registrations in 2016 represented an increase of 6.8% in comparison with the prior year level subsequent to the already positive figures in previous years. Nonetheless, there is still development potential to reach the highest sales on record of 15.7 million units. MKTSN's primary market, Germany, showed growth of 3.35 million automobiles (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 2017, 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 SUVs is increasing significantly. This will compensate any potential losses of other models.

2. Business development

MKTSN's business development in the 2016/2017 financial year was characterised by the following events in particular:

- In production we started the production of glove boxes and storage compartments, as well as instrument panel components for the new Tiguan in Mexico
- Audi awarded comprehensive orders in Germany for the three new vehicles with kinematic components, in which MKTSN had previously not participated.

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

Sales and results of ordinary operations[1] are the Company's key performance indicators used to manage the business.

As per the prior year budget, sales from the delivery of goods and services totalling EUR 46.0 million were expected for financial year 2016/17. The actual figures showed an increase in sales in comparison with plan of EUR 15.9 million to EUR 61.9 million. As such, sales substantially exceeded budget. This was primarily attributable to the increase in sales as a result of the customer tooling business. The project business for customer tooling developed very positively in financial year 2016/17. In the current financial year, recorded sales from the billing of projects totalled approx. EUR 19.0 million. In comparison, in the prior year, only approx. EUR 8.6 million were recorded. This development was primarily attributable to the establishment of the subsidiary in Mexico and the development and project services taken over in connection with this.
In parallel with sales, the costs of materials increased by EUR 16.6 million to EUR 47.8 million as a result of expenses for purchased services for customer tooling.

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

The results of ordinary activities of EUR 2.3 million in financial year 2016/17 did not change substantially to those of 2015/16. The after tax results amounted to EUR 2.1 million subsequent to the EUR 1.9 million in the prior year. Nonetheless, the return on sales declined slightly from 3.8% to 3.4%.

Non-financial performance indicators

- MKTSN annually conducts a customer satisfaction survey with satisfaction most recently at 85.8%, thereby 1.3% higher than in the prior year. This primarily reflects management's decision to further develop the logistics area.

3.2 Results of operations

	2016-17 12 mon. EUR'000	Portion of total output	Change. 16-17 EUR'000	2015-16 12 Mon. EUR'000	Portion of total output
Total output	**70,098**	100.0%	18,061	**52,037**	100.0%
Operating expenses	**67,358**	96.1%	17,524	**49,834**	95.8%
Operating results	**2,740**	3.9%	537	**2,203**	4.2%
Financial results	**-443**	-0.6%	120	**-563**	-1.1%
Results before taxes	**2,297**	3.3%	657	**1,640**	3.2%
Taxes	**180**	0.3%	491	**-311**	-0.6%
Results after taxes	**2,117**	3.0%	167	**1,950**	3.7%

Total output, consisting of sales, changes in inventory, other own work capitalised and other operating income, increased year-on-year by EUR 18.1 million in comparison with the prior year. Total output was impacted by project sales. The results after taxes were impacted by the utilisation of the allowed alternative treatment pursuant to Section 274 (1) sentence 2 of the HGB. As such, in this reporting period, deferred tax assets of EUR 0.4 million (in the prior year EUR 0.5 million) were recorded.

The operating expenses of EUR 67.3 million accounted for 96.1% (in the prior year 95.8%) of total output. The EUR 17.5 million increase in operating expenses is primarily attributable to the increase in variable costs in the form of costs of materials for the tooling business.

The financial results of EUR -0.4 million (in the prior year EUR -0.6 million) are at a sustainable level.

After adding taxes of EUR 180k, the after tax results amount to EUR 2.1 million (in the prior year EUR 1.9 million) thereby exceeding the budgeted results of EUR 1.1 million. Overall, we thereby consider the Company's results to be satisfactory.

3.3 Net asset and capital structure

	31.3. 2017 EUR'000	%	*31.3. 2016 EUR'000*	%
Assets				
Fixed assets	*27,150*	44.3%	*23,929*	55.3%
Inventories	*12,779*	20.8%	*8,815*	20.4%
Receivables	*19,116*	31.2%	*8,623*	19.9%
Cash and collateral	*1,114*	1.8%	*910*	2.1%
Other assets	*802*	1.3%	*533*	1.2%
Deferred tax assets	*367*	0.6%	*448*	1.0%
	61,328	100.0%	***43,259***	100.0%
Equity and liabilities				
Equity and special item	*19,105*	31.2%	*10,532*	24.3%
Provisions	*2,024*	3.3%	*2,310*	5.3%
Liabilities and deferred income	*40,199*	65.5%	*30,417*	70.3%
	61,328	100.0%	***43,259***	100.0%

Fixed assets increased as a result of the EUR 2.1 million increase in the shareholdings in affiliated companies to EUR 6.7 million due to the establishment of the subsidiary in Mexico. Liquidity of approximately EUR 4.5 million was made available for this.

Inventories increased by EUR 4.0 million to EUR 12.8 million. This was accompanied by an increase of EUR 6.8 million in receivables from affiliated companies. The increase was primarily attributable to project billings as a result of the establishment of a Minda subsidiary in Mexico (EUR 3.8 million, in the prior year EUR 0.3 million) as well as a loan issued to this company totalling EUR 4.5 million. Simultaneously, a loan of EUR 1 million was repaid to Minda Europe GmbH.

For the afore mentioned reasons, total assets increased from EUR 43.3 million as at 31 March 2016 to EUR 61.3 million as at 31 March 2017. The asset structure changed substantially with a current asset portion of 53.8% (in the prior year 42.4%) and a fixed asset share of 44.3% (in the prior year 55.3%) due in particular to the shares of affiliated companies taken over.

The equity, including the special item, increased by the net income of EUR 2.1 million as well as the contributions of EUR 4.0 million and the resolved upon contributions made for the increase in equity of EUR 2.5 million.

The equity ratio (including the special item and the contributions made for the resolved upon increase in equity) increased to 31.2% (in the prior year 24.3%).

In comparison with the prior year, the provisions declined by EUR 0.3 million.

In the financial year just ended the liabilities were EUR 9.8 million higher. This was primarily due to the EUR 7.9 million higher balances due to banks as a result of the taking on of new short- and mid-term loans being utilised for the financing of project costs. In total, liabilities increased to EUR 40.2 million (in the prior year EUR 30.4 million).

3.4 Financial position

3.4.1 Liquidity

Overall, the Company's financial situation is stable. In addition to the positive increase in equity due to the improved results, the Company's long-term financing has been shored up.

All of the tooling which MKTSN had previously prefinanced is now being financed 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 through 2019.

3.4.2 Investments

MKTSN made capital expenditures totalling approx. EUR 1.0 million in this financial year comprising machines, devices and buildings. A significant expenditure was the road fortification totalling EUR 0.2 million for a new storage tent to be put up next year. Furthermore, expansions and modifications totalling EUR 0.3 million were made to the priming system along with capital expenditures for series production for another EUR 0.3 million.

In 2017/18 MKTSN plans additional capital expenditures totalling EUR 1.5 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.

III.Outlook

In 2017/18 the Company will focus on the following aspects of its business:

1 The Company's growth orientation and the improvement of the net profit. For this purpose, various measures including a "lean" production was 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.
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 Expansion of production in Mexico and securing additional customers
9 Establishment of production capacities 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 sales of EUR 56.2 million for financial year 2017/2018 due to the expected decline in sales to customer tooling. The planned decrease in sales 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 after tax annual results of EUR 1.8 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 sales will undoubtedly lead to an improvement in net income.

1.4 Market

On the whole, the automobile market in Europe remained very solid in 2016, with a continuing slight upward trend, showing catch-up-driven growth rates in several countries. In 2016 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. The automobile production forecast for Germany calls for stable volume in 2017.

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 – sales, 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 2017/2018 which is, in its entirety, aligned with the business plan.

To the extent that MKTSN PL is affected by the continuous growth in sales 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. In the short-term, the Company intends to establish a facility in China.

2 Risks

Sales

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 minimising this risk.

Additional risks relate to the current developments in China with a stabilising market and the dynamically developing discussions with respect to electronically powered cars as well as driving bans for diesel powered vehicles.

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 reduce those risks with 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 in effect which it terminated with effect from 30 June 2017. A new contract was concluded with a new contractual partner with a start date from 1 July 2017.

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 future ability to obtain financing will be supported by successful collaboration with a new bank and an additional leasing partner.

In addition to the financing provided by external financial institutions, the financing for the Company's operating activities will, for the most part, continue to be financed by the parent company Minda Corporation. Management believes that the required funding will continue to be made available.

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 2017. 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, 30 June 2017

KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH

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Vinayak Hegde
Managing Director

Business Profile

1 Business activities

Minda KTSN is a Company which is specialised on the production and processing of thermoplastics for the automotive industry. In particular, it specialises on developing, producing and selling technical parts, components, systems, devices and tools. Production primarily takes place on behalf of various major automobile manufacturers (OEMs) and tier 1 suppliers of the OEMs.

At the partners' meeting held on 27 March 2012, Minda KTSN resolved to change the financial year. The Company's financial year begins on 1 April of each year and ends on 31 March of the following year.

2 Property ownership

Minda KTSN's production and administrative site is on land in the district Pirna, which was sold along with the buildings located on the land within the scope of a hire purchase agreement dated 11 August 2005. The Company exercised the purchase option included in the hire purchase agreement at the conclusion of the basic rental term as at 31 August 2015 and, with effect from 1 September 2015, the assets were taken over at their carrying value of EUR 10,713k as at the exercise date (31 August 2015).

3 Employees

With respect to the average headcount during the financial year, we refer to the Company's notes to the financial statements (Appendix 1.3).

4 Significant contracts with affiliated companies

Management Service Agreement with Minda KTSN Plastic and Tooling Solutions Z.o.o., Bydgoszcz/Poland, dated 1 April 2013

Minda KTSN concluded a service agreement with Minda KTSN PL on 1 April 2013. This agreement covers Minda KTSN's rendering of various services for Minda KTSN PL. In return, Minda KTSN has received a monthly fee of EUR 19.5k since 1 April 2014.

Management Service Agreement with Minda Management Service Limited, Delhi/India, dated 1 November 2007

Minda KTSN concluded a service agreement with Minda Management Service on 1 November 2007, whereby Minda Management Service undertakes to support Minda KTSN in setting up and improving its management strategies. In return, Minda KTSN pays a fee of 1% of its sales to Minda Management Service.

Loan agreement with Minda Europe GmbH, Esslingen, dated 1 October 2013 and 15 November 2014

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna, has extended two loans to Minda Europe. The first loan was granted by agreement dated 1 October 2013 in the amount of EUR 900k and bears interest at 5%. The second loan was granted by agreement dated 15 November 2014 in the amount of EUR 2,600k and also bears interest at 5%. Both loans have a term of three years. As at 31 March 2017 the loans amounted to EUR 300k.

Loan agreement with Minda KTSN Plastic Solutions Mexico, Queretaro, dated 1 June 2016

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna, concluded a loan agreement with Minda KTSN Plastic Solutions Mexico for a total of up to EUR 10,000k. As at the balance sheet date, a total of EUR 4,500k was drawn down by Minda KTSN Plastic Solutions Mexico. The loan bears interest at the rate of 5% and has a term through 1 December 2017.

Loan agreements with Minda Corporation Limited, Delhi/India, dated 25 November and 8 February 2017

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna, concluded a loan agreement with Minda Corporation with effect from 25 November 2016 totalling EUR 1,500k and, with effect from 8 February 2017, a loan agreement totalling EUR 300k. Both loans bear interest at a rate of 12% and are to be repaid within a period of six months at the latest whereby an extension is possible upon agreement of both parties. As at 31 March 2017 the loans totalled EUR 1,800k.

Loan agreement with Minda KTSN Plastic and Tooling Solutions Z.o.o., Bydgoszcz/Poland, dated 29 March 2016

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna, concluded a loan agreement with Minda KTSN PL with effect from 29 March 2016 for an amount of EUR 500k. The loan bears interest at the rate of 5% p. a. The loan has an indefinite term.

5 Significant agreements with other companies

Customer contract with Audi AG, Ingolstadt, Volkswagen AG, Wolfsburg, and Daimler AG, Stuttgart

On 18 April 2007, Minda KTSN concluded a customer contract with the manufacturers. This contract regulates, among other elements, the repayment of EUR 7,959k in reorganisation assistance provided by the manufacturers, beginning in financial year 2009. Furthermore, the manufacturers guaranteed fixed minimum sales until 2009. A new repayment agreement was concluded with the aforementioned OEMs in Q1 2014. Accordingly, the customer loans will be repaid in 16 equal instalments starting in October 2015.

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 29 June 2017.
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	10,450,001.00	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 27 May 2016, the financial statements as at 31 March 2016, 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 financial statements as at 31 March 2017 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 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 is currently in progress. At the conclusion of our financial statement audit no findings were available from the external tax audit.

Appendix 4
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.