



TRANSLATION – AUDIT REPORT

Financial Statements as at 31 March 2016 and Management Report

Minda KTSN Plastic Solutions GmbH & Co. KG
Pirna

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 derive from the translation.

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.

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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
IDW	German Institute of Public Accountants [Institut der Wirtschaftsprüfer in Deutschland e. V.], Düsseldorf
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 Schenk CZ	Minda Schenk Plastic Solutions s.r.o., Liberec/Czech Republic
OEM	Original equipment manufacturer
Opel	Adam Opel AG, Rüsselheim am Main
SAB	Sächsische Aufbaubank – Förderbank, Dresden

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TS	Technical specification
VW	Volkswagen AG, Wolfsburg

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1 Audit Engagement

At the partners' meeting held on 13 April 2016 of

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna,
– hereinafter also referred to as “Minda KTSN” or “Company” –

we were appointed as auditors for the financial year from 1 April 2015 to 31 March 2016. Accordingly, management has engaged us to audit the financial statements for the year ended 31 March 2016, 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 German Institute of Public Auditors (IDW).

Pursuant to Section 318 of the German Commercial Code (HGB), we were also engaged, to audit the Company's consolidated financial statements as at 31 March 2016.

We confirm that we have conducted our audit in compliance with the applicable independence regulations in accordance with Section 321 (4a) of the German Commercial Code (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 2002, 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.

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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 2015/2016 sales declined by 0.9 % to EUR 50.3 million due primarily to a reduction in quantities. They were thereby below the projected sales growth of 5 %.
- In financial year 2015/2016 the results of ordinary activities could be further improved to EUR 1.6 million subsequent to the EUR 1.3 million of the prior year due primarily to a reduction in the cost of materials. The results after taxes increased by EUR 0.7 million to EUR 1.9 million due primarily to the election of the allowed alternative treatment pursuant to Section 274 (1) sentence 2 of the HGB. As such, in the reporting period, deferred tax assets were, for the first time, recorded resulting in a positive impact on earnings amounting to EUR 447k.
- In total, the assets declined by EUR 1.4 million from EUR 44.7 million as at 31 March 2015 to EUR 43.3 million as at 31 March 2016. Due in particular to the expiration of the leasing agreement and the acquisition of the fixed assets, the asset structure changed in financial year 2015/2016. The share of current assets declined to 42.4 % (in the prior year 77.3 %) while the share of fixed assets increased to 55.3 % (in the prior year 21.2 %).
- In the Company's opinion, the financial situation has stabilised. As a result of the net income of EUR 1.9 million, the equity ratio increased to 23.7 % (in the prior year 18.5 %). The long-term financing was strengthened.
- In financial year 2016/2017 the Company plans capital expenditures totalling EUR 1.7 million for machines, a building extension, software and R & D.
- In financial year 2016/2017 the Company has budgeted sales of EUR 46.1 million and a substantial decline in results of ordinary activities. It is expected that the net income for the year 2016/17 will amount to EUR 1.1 million.
- In the future, the Company plans to develop additional markets outside Europe and to secure additional OEM customers. Further activities are planned to meet customer requirements with a production facility in Mexico beginning in the summer of 2016. 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 key risk. Renegotiations with customers and corresponding compensation agreements are expected to offset a portion of the price increases. This issue will continue to have substantial priority in new contracts.

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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.

Please 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 2016. 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.

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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
- Existence and valuation of trade receivables
- Completeness and valuation of provisions
- Revenue recognition cut-off
- Completeness and accuracy of disclosures in the notes to the financial statements
- Plausibility of forecasts made in the management report

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

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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 customers and suppliers on the basis of a random selection of samples (customers) and specified samples (suppliers)
 - 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 and May 2016 and completed it on 27 May 2016. We carried out a preliminary audit in March 2016.

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.

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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 of 31 March 2016, 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 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 legally 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) 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 and that the disclosures pursuant to Section 289 (2) HGB are complete and accurate.

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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:

Hire purchase agreements

The Company has made significant investments under hire purchase agreements. The hire purchase agreements were each concluded for a term of up to ten years. Rental payments made which could be applied to the purchase price were recorded as other assets. The Company recorded these at acquisition cost. The Company recorded the purchase price obligation as a liability. The interest rate underlying the hire purchase agreement is used to determine the present value. The interest and cost components of the hire purchase payments were recognised in the income statement in the period in which they were incurred. The additional repayment components were recognised without affecting the income statement but rather by reducing the purchase price obligation. In financial year 2015/2016, at the end of the term of the lease agreement as at 31 August 2015, the right to buy was exercised and the assets were transferred into the Company's fixed assets at their remaining book values.

Shares in affiliated companies

The Company is the sole owner 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, as well as Minda KTSN Plastic Solutions s.r.o., Liberec/Czech Republic. The shares in affiliated companies are recorded at acquisition cost respectively at the lower of cost or market. The Company newly established Minda KTSN Plastic Solutions Mexico S. de R.L. de C.V., in the year under review. This led to an increase in acquisition costs for shares in affiliated companies in the amount of EUR 500k.

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Work in progress and finished goods

Work in progress and finished goods are measured at production cost, comprising direct material costs, production wages and special direct costs as well as production and material overhead costs and amortisation and depreciation at the minimum level allowable for tax. Neither interest on borrowed capital nor general administrative expenses are included in production costs.

Initial exercising of the allowed alternative treatment to record an asset pursuant to Section 271 (1) sentence 2 of the HGB

In this reporting period, for the first time, use was made of the allowed alternative treatment to record an asset pursuant to Section 274 (1) sentence 2 of the HGB. This change in approach was implemented as, in the Company's opinion, this provides better insight into the net assets and results of operations. Subsequent to the off-setting of deferred tax assets and deferred tax liabilities, a net asset totalling EUR 448k remained. Had the allowed alternative treatment been applied in the prior year, a deferred tax asset of EUR 642k would have resulted.

A Company specific tax rate of 14 % served as the basis for the measurement of the deferred taxes.

The exercising of the allowed alternative treatment to record an asset leads to a ban on distributions.

5.2 Conclusion on the overall presentation of the financial statements

Based on an overall consideration of the accounting policies and material 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.

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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 2015 to 31 March 2016. 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.

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In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and the provisions of the Company's 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, den 27 May 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

[original German version signed by:]

Strom
Wirtschaftsprüfer

Dr. Thiere
Wirtschaftsprüfer

Appendices

Appendix 1

Financial Statements as at 31 March 2016 and Management Report

1.1 Balance sheet

1.2 Income statement

**1.3 Notes to the financial
statements**

1.4 Management report

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Balance sheet as at 31 March 2016

Assets

	31.3.2016		31.3.2015	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
1. Internally generated trademarks and similar rights and assets	24,546.00		61,364.00	
2. Trademarks and similar rights and assets as well as licenses to such rights and assets acquired for consideration	24,802.94	49,348.94	23,742.00	85,106.00
II. Tangible assets				
1. Land and buildings	11,657,340.30		275,800.00	
2. Technical equipment and machinery	8,715,560.00		6,294,977.94	
3. Other equipment, operating and office equipment	789,955.00		834,432.00	
4. Payments in advance and construction in progress	565,944.51	21,728,799.81	324,669.53	7,729,879.47
III. Financial assets				
1. Shares in affiliated companies	2,150,148.44		1,650,148.44	
2. Investments	1,000.00	2,151,148.44	1,000.00	1,651,148.44
		<u>23,929,297.19</u>		<u>9,466,133.91</u>
B. Current assets				
I. Inventories				
1. Raw materials, consumables and supplies	3,284,536.59		3,176,359.18	
2. Work in progress	1,965,681.54		1,691,761.90	
3. Finished goods and merchandise	642,686.02		1,135,471.43	
4. Advance payments	2,922,594.06	8,815,498.21	5,233,030.57	11,236,623.08
II. Receivables and other assets				
1. Trade receivables	5,787,876.90		4,237,122.19	
2. Receivables from affiliated companies	2,273,157.79		3,975,729.65	
3. Other assets	561,840.98	8,622,875.67	13,141,077.82	21,353,929.66
III. Cash and cash equivalents		910,143.70		1,945,676.06
		<u>18,348,517.58</u>		<u>34,536,228.80</u>
C. Prepaid expenses		532,975.16		702,506.02
D. Deferred tax assets		447,866.16		0.00
		<u>43,258,656.09</u>		<u>44,704,868.73</u>

Equity & liabilities

	31.3.2016	31.3.2015
	EUR	EUR
A. Equity		
I. Capital contributed by limited partners	6,450,001.00	6,450,001.00
II. Reserves	1,808,996.88	568,824.54
III. Net income for the year	1,950,155.71	1,240,172.34
	10,209,153.59	8,258,997.88
B. Special reserve for treasury shares recognised as assets	25,000.00	25,000.00
C. Special item for investment subsidies and grants	297,360.20	367,004.74
D. Provisions		
1. Tax provisions	262,759.11	335,085.54
2. Other provisions	2,047,509.42	1,657,510.23
	2,310,268.53	1,992,595.77
E. Liabilities		
1. Liabilities to banks	16,583,666.67	15,417,000.00
2. Payments received on account of orders	283,758.90	2,672,200.07
3. Trade payables	9,808,172.21	12,123,854.98
4. Liabilities to affiliated companies	1,965,044.55	2,230,915.61
5. Other liabilities	1,741,731.44	1,617,299.68
– of which for taxes EUR 578,439.56 (in the prior year EUR 350,875.19) –		
	30,382,373.77	34,061,270.34
F. Deferred liabilities	34,500.00	0.00
	43,258,656.09	44,704,868.73

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Income statement for the period from 1 April 2015 to 31 March 2016

1. Sales
2. Decrease (in prior year increase) in work in progress and finished goods inventory
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. Results of ordinary activities
12. Taxes on income (in the prior year expense)
of which deferred taxes EUR 447,866.16 (in the prior year EUR 0.00)
13. Other taxes
14. Net income for the year

		1.4.2015 - 31.3.2016		1.4.2014 - 31.3.2015	
		EUR	EUR	EUR	EUR
			50,227,619.18		50,691,898.33
			-18,700.70		548,175.37
			69,010.47		19,986.26
			1,758,590.31		1,903,497.57
		21,207,382.67		23,245,488.60	
	9,935,450.48	31,142,833.15		9,665,536.05	32,911,024.65
		9,269,416.63		9,431,018.90	
	1,763,684.03	11,033,100.66		1,596,800.24	11,027,819.14
			1,537,515.64		1,273,057.92
			6,120,505.03		5,975,571.51
			151,301.37		104,410.96
			714,267.40		793,021.33
			<u>1,639,598.75</u>		<u>1,287,473.94</u>
			345,651.61		18,000.00
			35,094.65		29,301.60
			<u>1,950,155.71</u>		<u>1,240,172.34</u>

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Notes to the financial statements for the financial year from 1 April 2015 to 31 March 2016

1 General information

Pursuant to Section 264a of the HGB, for limited partnerships the provisions of Sections 264 to 330 of the HGB apply correspondingly. 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.

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 income statement was prepared using the total cost method.

2 Accounting policies and measurement methods

The following accounting policies were generally 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 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 stand-alone 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.

Advance payments are recognised in 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, including directly attributable material costs, labour and special direct costs as well as production and material overhead costs and depreciation giving consideration to the minimum level allowable for tax. 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. For the first time, use was made of the allowed alternative treatment to record an asset pursuant to Section 274 (1) sentence 2 of the HGB. The change in presentation was made as this provides better insight into the net assets and result of operations.

Capital contributed by limited partners is recorded at the nominal amount of the capital account rolled forward accounting for any capital contributions and the net income for the year subsequent to the resolution as to the disposition of earnings.

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 liabilities are recorded at the rate in effect when the transaction was recorded. Exchange rate losses incurred through the balance sheet date as a result of realisation or measurement at the spot rate on the balance sheet date in accordance with Section 256 a 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 KEUR 180 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.

3.2 Financial assets

3.2.1 Disclosures on investments

	Capital contributions	Investments	Equity	Earnings
	KEUR	%	KEUR	KEUR
KTSN Kunststofftechnik Sachsen Beteiligungs GmbH, Pirna ¹	25	100.0	23	0
Minda KTSN Plastic and Tooling Solutions SP. Z.o.o., Bydgoszcz/Poland ²	1,515	100.0	2,782	576
Minda KTSN Plastic Solutions s.r.o , Usti/Czech Republic ³	110	100.0	./237	./273
Minda KTSN Plastic Solutions Mexico S. de R.L. de C.V. Queretaro ⁴	500	100.0	280	./213

In the reporting 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 is in the start-up phase and will begin its operating activities at the beginning of the next year.

On the basis of the respective business plans and the positive development of the respective businesses of the investments held, the investments are not impaired. In principle no use is made of the allowed alternative treatment as per Section 253 (3) sentence 4 of the HGB to record a write-off if a permanent impairment in value is not deemed to exist.

3.3 Receivables and other assets

All receivables and other assets have a remaining term of up to one year. Other assets include an accumulated tenant loan in the amount of KEUR 12,643. Upon transfer of legal ownership of the rented property in September 2015, this loan was applied to the purchase price.

The other assets include accrued assets totalling KEUR 210 (in the prior year KEUR 210).

The receivables from affiliated companies include a KEUR 1,000 (in the prior year KEUR 3,500) receivable for a loan granted to Minda Europe GmbH. In addition, in the reporting period a loan

¹ Disclosures relate to the financial year ended 31 March 2016.

² Disclosures relate to the financial year ended 31 March 2016, disclosures regarding equity and earnings were translated at the official exchange rate as at 31 March 2016.

³ Disclosures relate to the financial year ended 31 March 2016.

⁴ Disclosures relate to the financial year ended 31 March 2016, disclosures regarding equity and earnings were translated at the official exchange rate as at 31 March 2016.

of KEUR 500 was granted to Minda KTSN Plastic and Tooling Solutions SP. Z.o.o., Bydgoszcz/ Poland.

The other receivables from affiliated companies comprise other assets (KEUR 773; in the prior year KEUR 476).

3.4 Deferred taxes

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 rate for 2015/2016 (14 %) serves as the basis for the calculation.

The deferred tax asset is attributable to the municipal tax loss carryforward (KEUR 3,356) which was netted with the deferred tax liabilities resulting from tangible assets (KEUR 157). The presentation of the resulting debit balance of KEUR 448 was recorded for the first time in accordance with the allowed alternative treatment as per Section 274 (1) sentence 1 of the HGB. Had the allowed alternative treatment been applied in the prior year, a deferred tax asset of KEUR 642 would have been recorded.

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 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 now shows 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 from KEUR 8,259 to KEUR 10,209 due to the net income of KEUR 1,950 and a capital contribution.

3.6 Other provisions

The other provisions primarily consist of pension provisions totalling KEUR 679 (in the prior year KEUR 593) as well as outstanding invoices of KEUR 1,091 (in the prior year KEUR 886).

3.7 Liabilities

3.7.1 Statement of liabilities

The remaining terms of the liabilities are presented in detail in the following statement of liabilities (disclosures in kEUR).

	Total	Remaining term		
	31.3.2016	up to 1 year	1 to 5 years	over 5 years
	KEUR	KEUR	KEUR	KEUR
Liabilities to banks	16,584 ⁵	16,584	0	0
(31 March 2015)	(15,417)	(12,417)	(3,000)	(0)
Payments received on account of orders	284	284	0	0
(31 March 2015)	(2,672)	(2,672)	(0)	(0)
Trade payables	9,808	4,274	5,534	0
(31 March 2015)	(12,124)	(5,028)	(7,096)	(0)
Liabilities to affiliated companies	1,965	1,965	0	0
(31 March 2015)	(2,231)	(2,231)	(0)	(0)
Other liabilities	1,742	1,271	471	
(31 March 2015)	(1,617)	(1,345)	(272)	(0)
Total	30,382	24,378	6,005	0
Total (prior year)	(34,061)	(23,693)	(10,368)	(0)

The liabilities to affiliated companies include KEUR 1,941 (in the prior year: KEUR 1,231) in trade payables and KEUR 24 (in the prior year: KEUR 1,171) in liabilities to the shareholder.

The other liabilities of KEUR 1,000 attributable to the loan from Minda Corporation was paid.

Trade payables include liabilities from loans granted by various automotive companies in 2007 in the amount of approx. EUR 7.0 million (in the prior year EUR 8.3 million).

Intensive negotiations led to the conclusion of a so called "payment agreement" in January 2015 in conjunction with the customer contracts with VW, Audi and Daimler. This includes both the deferral of outstanding amounts until 30 September 2015 as well as the subsequent quarterly repayment of the loans in 16 instalments.

⁵ Secured by way of a mortgage of KEUR 7,000.

3.7.2 Prohibition as to distribution

Pursuant to Section 268 (8) of the HGB, there is a prohibition with respect to distributions in the amount of the internally generated intangible assets (EUR 25k) as well as the deferred tax assets (EUR 448k).

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

	2016-2017	2017-2018	2018-2021	Total
	KEUR	KEUR	KEUR	KEUR
Leases and rents	140	135	192	467
Purchase commitments for fixed assets	270	0	0	270
	410	135	192	737

4 Notes on the income statement

4.1 Sales

	31.3.2016		31.3.2015	
	KEUR	%	KEUR	%
Sales by region				
Domestic	42,119	83.8	42,381	83.6
Foreign	8,108	16.1	8,312	16.4
	50,227	100.0	50,692	100.0

4.2 Other operating income

The other operating income primarily includes income from electricity tax reimbursements of KEUR 136 (in the prior year: KEUR 150), the release of special items in the amount of KEUR 70 (in the prior year: KEUR 99) and income from the release of provisions totalling KEUR 303 (in the prior year: KEUR 465).

Other operating income includes KEUR 454 (in the prior year: KEUR 576) in income related to other periods.

In addition, the other operating income includes the waiver of a customer loan granted by Daimler AG, Stuttgart, totalling KEUR 290.

4.3 Other operating expenses

The other operating expenses primarily consist of legal and consulting costs of KEUR 758 (in the prior year KEUR 616) as well as incidental costs of monetary transactions of KEUR 477 (in the prior year KEUR 359). Furthermore, leasing expenses associated with the sale and lease-back contract totalling KEUR 331 (in the prior year KEUR 859) are included.

The other operating expenses include expenses from exchange rate differences totalling KEUR 2.

The other operating expenses include expenses related to other periods of KEUR 134 (in the prior year KEUR 17).

5 Other disclosures

5.1 Managing and general partner

The managing partner, KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH, with subscribed capital of EUR 25,000.00, 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 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.

5.2 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 KEUR 74 of which KEUR 69 were for audit services and KEUR 5 were for tax advisory services.

5.3 Employees

The average headcount during the financial year was as follows:

	2015/16	2014/2015
Wage earners	253	260
Salaried employees	70	66
Subtotal	323	326
Trainees	11	9
Total	334	335

The total average number of employees was therefore 334.

5.4 Group structure

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, New 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.

5.5 Appropriation of earnings

A resolution on the appropriation of the KEUR 1,950 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.

Pirna, 9 May 2016

KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH

Vinayak Hegde
Management

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Movements in fixed assets during the period from 1 April 2015 to 31 March 2016 (detailed gross presentation)

Acquisition and production costs						
	Carryforward as at 1.4.2015	Additions	Reclass- ifications	Disposals	Balance as at 31.3.2016	
	EUR	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	1,039,706.91	9,342.67	0.00	0.00	1,049,049.58	
	<u>1,219,706.91</u>	<u>9,342.67</u>	<u>0.00</u>	<u>0.00</u>	<u>1,229,049.58</u>	
II. Tangible assets						
1. Land and buildings	2,598,586.65	11,421,189.66	8,435.00	0.00	14,028,211.31	
2. Technical equipment and machinery	18,117,007.49	3,519,094.44	118,710.33	1,120,931.01	20,633,881.25	
3. Other equipment, operating and office equipment	2,079,449.01	207,835.15	2,567.00	19,500.80	2,270,350.36	
4. Advance payments and construction in progress	324,669.53	370,987.31	-129,712.33	0.00	565,944.51	
	<u>23,119,712.68</u>	<u>15,519,106.56</u>	<u>0.00</u>	<u>1,140,431.81</u>	<u>37,498,387.43</u>	
III. Financial assets						
1. Shares in affiliated companies	1,650,148.44	500,000.00	0.00	0.00	2,150,148.44	
2. Investments	1,000.00	0.00	0.00	0.00	1,000.00	
	<u>1,651,148.44</u>	<u>500,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,151,148.44</u>	
	<u>25,990,568.03</u>	<u>16,028,449.23</u>	<u>0.00</u>	<u>1,140,431.81</u>	<u>40,878,585.45</u>	

Carryforward as at 1.4.2015	Amortisation and depreciation			Carrying values		
	Amortisation and depreciation during the financial year	Disposals	Balance as at 31.3.2016	31/3/2016	31.3.2015	
						EUR
118,636.00	36,818.00	0.00	155,454.00	24,546.00	61,364.00	
1,015,964.91	8,281.73	0.00	1,024,246.64	24,802.94	23,742.00	
<u>1,134,600.91</u>	<u>45,099.73</u>	<u>0.00</u>	<u>1,179,700.64</u>	<u>49,348.94</u>	<u>85,106.00</u>	
2,322,786.65	48,084.36	0.00	2,370,871.01	11,657,340.30	275,800.00	
11,822,029.55	1,198,605.41	1,102,313.71	11,918,321.25	8,715,560.00	6,294,977.94	
1,245,017.01	245,726.14	10,347.79	1,480,395.36	789,955.00	834,432.00	
0.00	0.00	0.00	0.00	565,944.51	324,669.53	
<u>15,389,833.21</u>	<u>1,492,415.91</u>	<u>1,112,661.50</u>	<u>15,769,587.62</u>	<u>21,728,799.81</u>	<u>7,729,879.47</u>	
0.00	0.00	0.00	0.00	2,150,148.44	1,650,148.44	
0.00	0.00	0.00	0.00	1,000.00	1,000.00	
<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,151,148.44</u>	<u>1,651,148.44</u>	
<u>16,524,434.12</u>	<u>1,537,515.64</u>	<u>1,112,661.50</u>	<u>16,949,288.26</u>	<u>23,929,297.19</u>	<u>9,466,133.91</u>	

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna

Management report for the financial year from 1 April 2015 to 31 March 2016



Location: Pirna (Germany)

Location: Usti (Czech Republic)

Location: Bydgoszcz (Poland)

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

Plant management
 Assembly

Plant management
 Tool development
 Tool production
 Injection moulding
 Assembly

Management report – Table of contents

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I. General information about the company

Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna, belongs to 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 a total of approx. EUR 415 million in 2015/2016.

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. In the future, kinematic components made of plastic such as glove compartments will be produced at the new location in Queretaro. In addition, as a result of the implementation of the QCDD concept (Quality, Cost, Delivery, Development) the production of high quality products at all locations 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) and tier 1 suppliers. Our primary customers include Audi, BMW, Daimler, Faurecia and Volkswagen.

MKTSN's strategic focus is on producing large plastic parts, while the subsidiary in Poland concentrates on producing smaller synthetic components. 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 help keep costs down when manufacturing and assembling smaller components. 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.

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

<ul style="list-style-type: none"> • Glove compartments • Cup holders and ashtrays • Air outlets • Oil pans • Cylinder head covers and insulation 	<ul style="list-style-type: none"> • Acoustic insulation • Tail door cover parts • Coated seat panels • Seating components • Steering column housing
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Glove box Daimler MOPF



Connectors



VW Touran window frame



VW Touran tail door cover



Daimler oil pan



Daimler left speaker cover



Daimler cylinder head covers in various forms



Daimler air vents



Glove box VW Tiguan/Golf Plus



Daimler left-side air vent



Daimler cylinder cover



Audi Q5 leather hood



Ashtray Audi D4 NWB



Ashtray Audi D4 LWB



Front storage box Audi C7



Daimler left long-reach air vent



Audi AB2 MAL rear cup holder



Daimler middle air vent



Audi C6 front cup holder cover



VW footwell vent



Audi C6 driver-side cover



Glove box VW Golf 5 RL



Glove box VW Tiguan/Golf Plus



Glove box VW Golf 5 RL



Rear cup holder Audi AB2 MAL

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. Giving consideration to the expansion of business activities in Usti and Queretaro, the Company stepped up its engineering, project management and quality planning resources by hiring new staff in 2015/2016.

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 customers' demands and to remain competitive. We have invested in laboratory and measurement rooms so as to be able to provide our customers with solutions from a single source. To ensure that we remain on track, we have earmarked additional resources for the future in our budget.

Among others, in 2015/2016, we developed the following products and prepared for their production:

- VW Tiguan – glove boxes and storage boxes
- BMW G3x – glove boxes (add-on components)

In 2015/16 we developed the arm rests for the VW Touareg for future years; for 2016/2017 various parts are to be developed for the VW Touareg and Audi A8. In addition to the market in Germany respectively in Europe, add on components such as glove boxes, steering column covers and instrument panels are being developed for VW Mexico for the revised version of the Jetta.

The special feature in 2015/2016 was the development of the new welding process for the new VW Tiguan glove compartment. Infrared welding was utilised for this in Pirna.

3. Management certifications

MKTSN has the following certifications:

- TS 16949 (quality management),
- ISO 14001 (environmental management)

MKTSN is also ISO 50001 certified (energy management).

II. Economic report

1. Overall economic and industry-related environment

The automotive market in Western Europe continued to grow in 2015. The 13.5 million new registrations in 2015 represented an increase of about 12 % in comparison with the prior year level subsequent to a decline in numbers in the years before with 2014 having represented an initial growth year. 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 3.2 million automobiles.

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.

The automotive industry expects sales growth in Western Europe and automobile sales of approximately 14 million units. MKTSN should be able to benefit from these developments.

2. Trend of business

MKTSN's business development in the 2015/2016 financial year was characterised by the following events in particular:

- In production we started the production of glove boxes for the new Tiguan. In addition, the assembly plant in Usti was set-up.

- VW awarded substantial orders in Mexico for two new vehicles, the Tiguan and the Jetta, with kinematic components.

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 to 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 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 are the key performance indicators which we use to manage the Company.

In 2015/2016 sales declined by 0.9% in comparison with the prior year due primarily to quantities. As such, sales were approx. 5 % below the budgeted growth. Correspondingly, the cost of materials could be reduced as a result of cost savings.

In 2015/2016 the results of ordinary operations increased by EUR 0.3 million to EUR 1.6 million. The results after taxes amounted to EUR 1.9 million after having amounted to EUR 1.2 million in the prior year. In financial year 2015/2016 the return on sales improved from 2.4% to 3.8%.

Non-financial performance indicators

- MKTSN conducts a customer satisfaction survey annually with satisfaction most recently at 84.5%, 2 % higher than in the prior year. Various customer assessments are currently in progress in accordance with the regular assessment schedule. The results are expected in the second half of the 2016/2017 financial year.
- MKTSN is characterised by good teamwork and working conditions, which is reflected in the low staff attrition rate. On average, MKTSN has an unusually low employee turnover rate for the industry of 1.5%.

3.2 Results of operations

	2015-16 12 Mon. KEUR	Share in Total Scope of Services	Change 15-16 KEUR	2014-15 12 Mon. KEUR	Share in Total Scope of Services
Total operating revenue	52,037	100.0%	-1,127	53,164	100.0%
Operating expenses	49,834	95.8%	-1,353	51,187	96.3%
<u>Operating profit</u>	<u>2,203</u>	4.2%	226	<u>1,977</u>	3.7%
Finance expense	-563	-1.1%	126	-689	-1.3%
<u>Earnings before taxes</u>	<u>1,640</u>	3.2%	352	<u>1,288</u>	2.4%
Taxes	-311	-0.6%	-359	48	0.1%
<u>Earnings after taxes</u>	<u>1,950</u>	3.7%	710	<u>1,240</u>	2.3%

Total operating performance, consisting of sales, changes in inventory, other own work capitalized and other operating income, decreased year-on-year by EUR 1.12 million in comparison with the prior year. Total operating performance was impacted by the primary customers and their lower orders. The results after taxes were significantly 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 for the first time, deferred tax assets were recorded resulting in a positive impact on earnings totalling EUR 447k.

Operating expenses of EUR 50 million amounted to 95.8% (in the prior year 96.3%) of total operating performance. The variable costs in the form of costs of materials were substantially lower (EUR 1.8 million). As a result of the reduction in material costs we were able to generate positive

results from ordinary operations in financial year 2015/2016 totalling EUR 1.6 million (in the prior year EUR 1.3 million).

The financing results of EUR-0.6 million (in the prior year EUR-0.7 million) were favourably impacted by reduced costs as a result of the maturity of the sale and leaseback in 2015.

In comparison with the prior year the results of ordinary activities increased to EUR 1.6 million, thereby exceeding budget. Overall, we consider the Company's position to be satisfactory.

3.3 Asset and capital structure

	31.3. 2016 EUR k	%	31.3. 2015 EUR k	%	31.3. 2014 EUR k	%
Assets						
Fixed assets	23,929	55.3%	9,466	21.2%	9,342	22.2%
Inventories	8,815	20.4%	11,237	25.1%	12,110	28.7%
Receivables and other assets	8,623	19.9%	21,354	47.8%	19,741	46.8%
Cash and cash equivalents	910	2.1%	1,945	4.4%	601	1.4%
Other assets	533	1.2%	703	1.6%	360	0.9%
Deferred tax assets	448	1.0%	0	0.0%	0	0.0%
	43,259	100.0%	44,705	100.0%	42,155	100.0%
Equity and liabilities						
Equity and special item	10,532	24.3%	8,651	19.4%	6,710	15.2%
Provisions	2,345	5.4%	1,993	4.5%	2,178	4.9%
Liabilities	30,382	70.2%	34,061	76.2%	33,267	75.3%
	43,259	100.0%	44,705	100.0%	44,155	100.0%

As a result of the assets taken over in financial year 2015/2016 upon conclusion of the lease contract totalling EUR 10.7 million, the Company's fixed assets increased. Financial assets increased by EUR 0.5 million as a result of the investment in the plant in Mexico.

Inventories decreased by EUR 2.4 million to EUR 8.8 million reflecting the project deliveries in the budget.

In total, assets decreased by EUR 1.4 million from EUR 44.7 million as at 31 March 2015 to EUR 43.3 million as at 31 March 2016. The distribution of assets changed due in particular to the assets taken over into fixed assets as a result of the conclusion of the lease contract in financial year 2015/2016 with the share of current assets at 42.4% (in the prior year 77.3%) and the share of fixed assets at 55.3% (in the prior year 21.2%).

The equity including the special item increased by the amount of net income of EUR 1.9 million. The equity ratio increased to 23.7% (in the prior year 18.5%). Giving consideration to the special item for investment grants and subsidies totalling EUR 0.3 million (in the prior year EUR 0.4 million), the equity ratio increased to 23.0% (in the prior year 19.4%).

In comparison with the prior year the other provisions increased by EUR 0.3 million.

The liabilities declined by EUR 3.6 million in the financial year just ended even though liabilities to banks increased slightly by EUR 1.1 million. In total, liabilities declined to EUR 30.4 million (in the prior year EUR 34.0 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-related basis by the customers VW, Audi and BMW.

In the year 2015/2016 MKTSN was able to conclude the lease contracts from 2004 for movables as well as real estate as scheduled.

In addition, MKTSN successfully renegotiated the loan repayments with the customers. On the basis of these negotiations, the loans will be repaid by 2019. Negotiations with respect to early repayment are close to finalisation.

In terms of new investments in 2016/2017 for the expansion of the tooling business in the upcoming financial year, financial resources totalling EUR 1.7 million will be utilised.

3.4.2 Investments

MKTSN invested in a 280 tonne injection moulding machine, a 3D measuring machine and a 3D printing unit. MKTSN hereby gives consideration to the technical requirements of the plastics business. MKTSN plans additional capital expenditures of EUR 1.7 million in the year 2016/2017 for machines, building expansion, software and research and development.

Due to the complete utilisation of the existing building, investments were made in a new external storage facility to increase warehouse capacity by 1,500 m².

III. Subsequent events

No events of particular importance occurred subsequent to the end of the year under review.

IV. Outlook

The Company will focus on the following aspects of business operations in 2016/2017:

- 1 Stabilising the Company and improving net profit. To do so, various measures were initiated, including “lean production”. A new site was already set up in the Czech Republic in 2015.
- 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 new 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 Start of production in Mexico
- 9 Set-up of production capacities in China and establishment of a JV
- 10 Intensification of sales activities in Mexico and China

This focus is a part of managements' business plan for the next five years. We have budgeted sales of EUR 46.1 million for financial year 2016/2017. The planned decrease in sales in the upcoming financial year will also impact the results of ordinary activities. With respect hereto, we expect a substantial decline and have budgeted after tax annual results of EUR 1.1 million. We only anticipate a moderate increase in sales with a corresponding positive impact on the Company's annual results in financial year 2017/2018.

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.

V. 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, in England in particular.

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. Sales will be ramped up 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

Overall, the automobile market in Europe remained very solid in 2015, with a continuing slight upward trend, showing catch-up-driven growth rates in several countries. In 2015 we noted that for various models for which MKTSN supplies components, sales were higher than expected. Going forward, we expect the market to continue to show moderate growth. The automobile production forecast calls for moderate growth of 2 to 3% for 2016.

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 2016/2017 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 are 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 beginning in the summer of 2016. 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 further sales declines in Russia.

Material

Management considers the ongoing price increases in raw materials as a result of 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. However, prices for the materials utilised remained stable over the past 18 months and we expect this to remain so in the next year. In terms of energy prices, the Company has a contract in effect until 31 December 2017.

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

Capital

The Company's future ability to obtain financing will be supported by successful collaboration with a new local bank and an additional leasing partner. Talks on stepping up relations are progressing well. Furthermore, in the first quarter of 2016, long-term payment obligations end.

The Company's financing will continue to remain dependent on the parent company, Minda Corporation. This could take the form of an increase in equity or a loan.

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 with respect to raising prices within the scope of compensation arrangements which are expected to be concluded during the course of 2016. 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, 9 May 2016

KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH

Vinayak Hegde
Management

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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).

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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 agreements 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 two loans. 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 2016 the loans amounted to EUR 1,000k.

Loan agreement with Minda Corporation Limited, Delhi/India, dated 30 March 2015

As at 30 March 2015, Minda KTSN Plastic Solutions GmbH & Co. KG, Pirna, concluded a loan agreement with Minda Corporation in the amount of EUR 1 million. The loan bears interest at 12% and is to be repaid within six months, although extension is possible on the basis of an agreement between both parties. The loan was repaid in its entirety in financial year 2015/2016.

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

Minda KTSN Plastic Solutins GmbH & Co. KG, Pirna, concluded a loan contract with Minda KTSN PL dated 29 March 2016 in the amount of EUR 0.5 million. The loan bears interest at a rate of 5 % p. a. The loan was concluded for an unspecified period

5 Significant agreements with other companies

Real Property Leasing Agreement and Right to Purchase Agreement with Grisleva Vermietungsgesellschaft mbH, Grünwald

Minda KTSN concluded a real property leasing agreement with Grisleva on 1 September 2005, with a supplementary agreement dated 5 May 2006 for an overall lease period of 10 years. At the same time, a right to purchase agreement was signed whereby Minda KTSN was granted a purchase option at the end of the leasing agreement. This was exercised upon conclusion of the lease on 31 August 2015.

Moveable Asset Leasing Agreement and Right to Purchase Agreement with Gameda Vermietungsgesellschaft mbH, Grünwald

Minda KTSN concluded a movable asset leasing agreement with Gameda as at 1 September 2005, with a supplementary agreement dated 5 May 2006 for an overall lease period of 10 years. At the same time, a right to purchase agreement was signed whereby Minda KTSN was granted a purchase option at the end of the leasing agreement. This was exercised upon conclusion of the lease on 31 August 2015.

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 manufacturers in Q1 2014. Accordingly, the customer loans will be repaid in 16 equal instalments starting in October 2015.

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On 1 February 2016 a new repayment agreement was concluded with Daimler AG, Stuttgart, in relation to the customer contract above. On the basis hereof, Daimler waived Minda KTSN's remaining payment obligations subsequent to payment of EUR 290k by 21 April 2016. The amount was repaid on 19 April 2016. The waiver of EUR 290k was already released to income in the reporting period.

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Legal status

Registered name	Minda KTSN Plastic Solutions GmbH & Co. KG		
Registered office	Pirna		
Partnership Agreement	The Partnership Agreement dated 24 September 2014 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 13 April 2016.		
Company's purpose	The Company's purpose is to develop, produce 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	6,450,001.00	100.00
	The limited partner's capital contribution is recorded in the Commercial Register at the corresponding amount.		
Equity and distribution of profit or loss	In accordance with the Partnership Agreement, a capital 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 profits is decided at the partners' meeting.		

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Equity and distribution of profit or loss (continued)	<p>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 equity shares. 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 their respective equity shares.</p>
Prior year's financial statements	<p>At the partners' meeting held on 27 May 2015, the financial statements as at 31 March 2015, 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.</p>
Size of the Company	<p>The Company is deemed a large corporation as defined by Section 264a in conjunction with Section 267 (3) of the HGB.</p>
Affiliated companies	<p>Pursuant to Section 271 (2) of the HGB, the Company is an affiliated company of Minda Corporation Limited, Delhi, India.</p> <p>The financial statements as at 31 March 2016 are included in the consolidated financial statements of Minda Corporation.</p>
Managing directors and legal representatives	<p>The Company is managed by the general partner, KTSN Kunststofftechnik Sachsen Beteiligungs-GmbH, Pirna.</p> <p>The members of management are listed in the Company's notes to the financial statements (Appendix 1.3).</p> <p>In legal dealings between management and the Company, management and its governing bodies are released from the restrictions imposed by Section 181 of the German Civil Code (BGB).</p>
Tax status	<p>The Company is registered at the Dresden Nord Tax Office under tax number 202/120/02926.</p> <p>An external tax audit for value added tax and municipal trade tax for the years 2011 to 2013 was announced to the Company on 26 March 2015. Beginning on 8 June 2015. At the conclusion of our financial statement audit no findings were available from the external tax audit.</p>

Appendix 4

General Engagement Terms