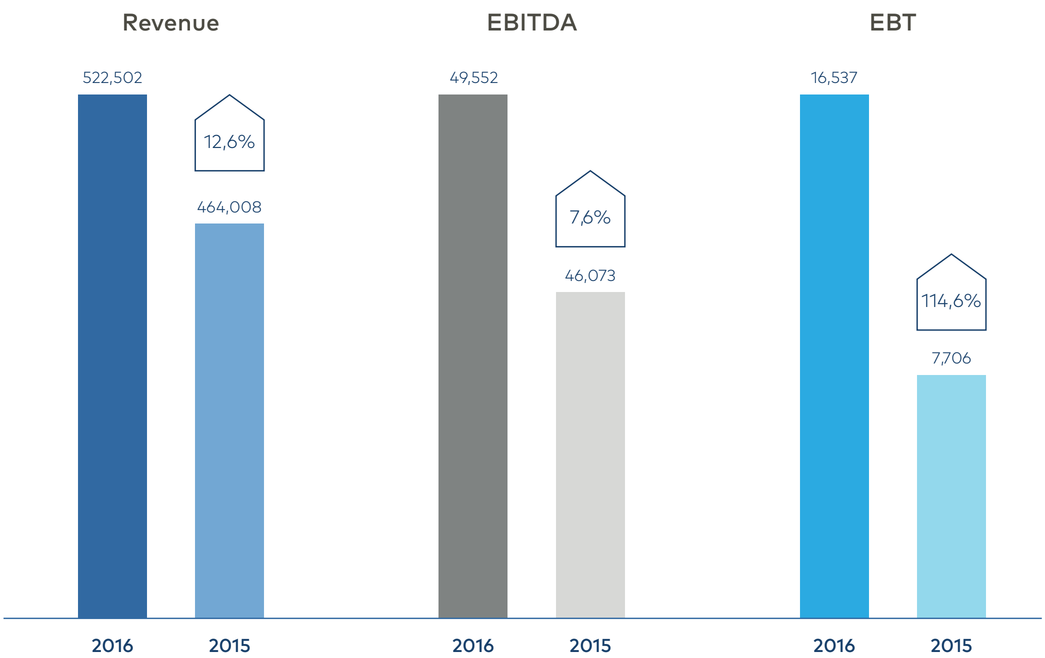
SaarGummi
Group

Consolidated Financial Statements according to International Financial Reporting Standards

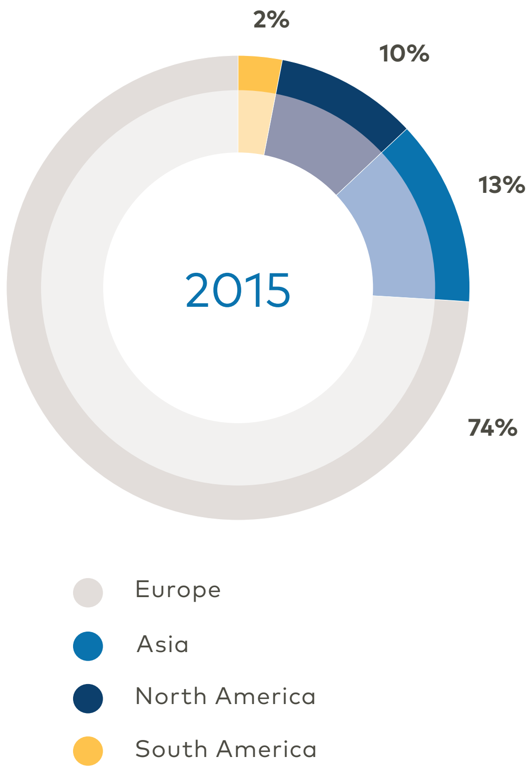
CQLT International Investment Company Ltd.
Chongqing, People's Republic of China
December 31st, 2016

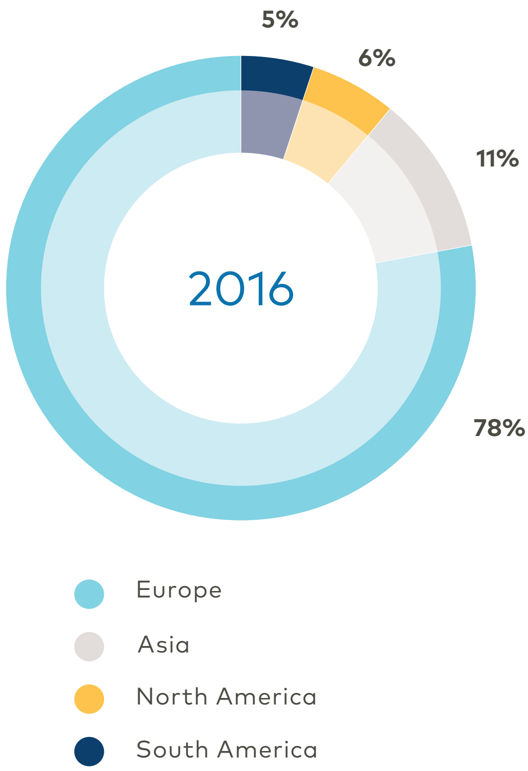
Index

Financial highlights



Product Sales by Region





IFRS Consolidated Financial Statements of CQLT International Investment Company Ltd. for the period from January 1 to December 31, 2016

Consolidated statement of comprehensive income

Keur	Note	2016	2015
Revenues	5.1	522,502	464,008
Changes in inventories of finished and unfinished products		6,706	2,718
Other own work capitalised		9,266	6,357
Other operating income	5.2	13,999	24,648
Other operating income from fair value measurement		149	-
Cost of material and sevices purchased	5.3	-289,506	-256,378
Personnel expenses	5.4	-139,370	-120,913
Other operating expenses	5.5	-73,203	-74,367
Other operating expenses of fair value measurement		-992	-
Depreciation and amortisation	6.1 / 6.2	-27,756	-33,270
Earning before interest and taxes (EBIT)		**21,796**	**12,803**
Finnancial income	5.6	290	384
Finnancial expenses	5.7	-5,462	-5,477
Share of profit (loss) of associates accounted for using the equity method	6.3	-87	-4
Earning before income taxes (EBT)		**16,537**	**7,706**
income taxes	5.8	-7,208	-544
Net Result for the period		**9,329**	**7,162**
Attributable to owners of the parent		8,573	7,338
Attributable to non-controlling interests		756	-176

Other comprehensive income		
Items that will not be reclassified to profit or loss:	**-630**	**-263**
Remeasurements	-889	-372
Income tax effect	259	109
Items that may be reclassified subsequently to profit or loss:	**149**	**-7,829**
Exchange difference from net investment in foreign entity	-2,955	-2,793
Exchange differences on translation of foreign operations	-2,806	-5,036
Other comprehensive income, net of tax	**-481**	**-8,092**
Total comprehensive income for the period	**8,848**	**-930**
Attributable to owners of the parent	8,067	-937
Attributable to non-controlling interests	781	7

Consolidated statement of financial positions

Keur	Note	Dec.31, 2016	Dec 31, 2015
Intangible assets	6.1	36,866	36,964
Property, plant and equipment	6.2	209,948	177,875
Equity-method investments	6.3	612	699
Other non-current financial assets	6.4	3,488	3,322
Other non-current receivables	6.4	342	411
Deferred tax assets	5.8	9,049	7,583
Non-current assets		**260,305**	**226,854**
Inventories	6.5	37,710	37,342
Trade receivables and other receivables	6.6	98,568	89,809
Prepayments	6.7	2,108	714
Current income tax assets	5.8	1,425	736
Financial instruments measured at fair value	8	149	124
Cash and cash equivalents	6.8	36,371	32,302
Current assets		**176,331**	**161,027**
Total assets		**436,636**	**387,881**

Equity and Liabilities

Keur	Note	Dec.31, 2016	Dec 31, 2015
Subscribed capital	6.9	126,663	113,234
Additional paid in capital	6.9	1,822	1,822
Retained earnings		-19,460	-28,033
Other components of equity	6.9	-17,243	-16,736
Equity attributable to owners of the parent		**91,782**	**70,287**
Non-controlling interests	6.9	4,758	4,084
Total equity		**96,540**	**74,371**
Non-current interest-bearing loans and borrowings	6.10	41,533	31,946
Provisions for pensions	6.11	11,617	10,795
Other non-current provisions	6.12	244	325
Other non-current liabilities	6.13	10,549	7,749
Non-current income tax liabilities	5.8	1,285	1,239
Deferred tax liabilities	5.8	6,011	7,714
Non-current liabilities		**71,239**	**59,768**
Trade and other payables	6.14	95,139	78,820
Current interest-bearing loans and borrowings	6.10	160,025	164,349
Financial instruments measured at fair value	8	870	-
Other current provisions	6.12	4,036	4,091
Income tax liabilities	5.8	8,787	6,482
Current liabilities		**268,857**	**253,742**
Total equity and liabilities		**436,636**	**387,881**

Consolidated statement of cash flows

Keur	Note	2016	2015
Earnings before income taxes (EBT)		16,537	7,706
Adjustments to reconcile profit before tax with net cash flows:			
Non-cash:			
Depreciation and impairments on property, plant and equipment	6.2	19,720	25,326
Depreciation and impairments on intangible assets	6.1	8,036	7,944
Unrealised foreign exchange rate gains / losses		-3,027	4,270
Net losses from disposal of property, plant and equipment		-42	-1,485
Income from interest		-127	-212
Interest expenses		5,462	5,477
Share of gain (loss) of associates accounted for using the equity method	6.3	87	4
Movements in provisions, provisions for pensions and similar obligations	6.11 / 6.12	-144	708
Net working capital adjustments:			
Increase / decrease in trade receivables and other assets		-11,148	-20,688
Increase / decrease in inventories		185	-10,235
Increase / decrease in trade and other payables		23,002	7,179
Income taxes paid		-9,054	-3,773
Net cash flows from operating activities		**49,487**	**22,221**
Investing activities			
Income from the sale of property, plant and equipment		1,265	1,025
Income from the sale of intangible assets		-	5,453
Income from the sale of non-current financial assets		-	-
Acquisition of property, plant and equipment		-49,123	-30,031
Acquisition of intangible assets		-7,635	-6,959
Acquisition of investments		-	-
Interest received		126	212
Acquisition of subsidiary and similiar less cash acquired		-	-
Dividends received		163	172
Net cash flows from investing activities		**-55,204**	**-30,128**
Financing activities			
Capital increase		13,429	-
Borrowings		166,248	123,531
Repayment of loans		-154,280	-124,131
Repayment of / proceeds from finance leases		-1,150	501
Interest paid		-5,135	-5,466
Dividend paid		-107	-
Net cash flows from financing activities		**-19,005**	**-5,565**
Net change in cash and cash equivalents		**13,288**	**-13,472**
Fluctuations in cash and cash equivalents on account of changes in exchange rates		-1,644	1,579
Cash and cash equivalents at the beginning of the period		17,295	29,188
Cash and cash equivalents at the end of the period	**6.8**	**28,939**	**17,295**

Consolidated statement of changes in equity

	Attributable to owners of the parent								
				Other components of equity					
Keur	Subscribed Capital	Additional paid in capital	Retained earnings	Currency translation differences	Remea-surements	Inome taxes	Total	Non controlling interests	Total equity
Balance as of Dec 31, 2014	**113,234**	**1,822**	**-35,371**	**-6,007**	**-3,452**	**997**	**71,223**	**4,077**	**75,300**
Net result for the period	-	-	7,338	-	-	-	7,338	-176	7,162
Other comprehensive income	-	-	-	-8,011	-372	109	-8,274	183	-8,091
Total comprehensive income	**-**	**-**	**7,338**	**-8,011**	**-372**	**109**	**-936**	**7**	**-929**
Balance as of Dec. 31, 2015	**113,234**	**1,822**	**-28,033**	**-14,018**	**-3,824**	**-1,106**	**70,287**	**4,084**	**74,371**
Net result for the period	-	-	8,573	-	-	-	8,573	756	9,329
Other comprehensive income	-	-	-	124	-889	259	-506	25	-481
Total comprehensive income	**-**	**-**	**8,573**	**124**	**-889**	**259**	**8,067**	**781**	**8,848**
Capital increase	13,429	-	-	-	-	-	13,429	-	13,429
Dividend paid							-	-107	-107
Balance as of Dec. 31, 2016	**126,663**	**1,822**	**-19,460**	**-13,895**	**-4,713**	**1,365**	**91,783**	**4,758**	**96,540**

Notes to the consolidated financial statements
1. Corporate information

1.1 Reporting entity

CQLT International Investment Company Ltd. (the "Company") is a limited liability company domiciled in Chongqing, People's Republic of China. The address of the Company's registered office is Chongqing, Huangshan Middle Road, High-tech Park of Northern New Area. The consolidated financial statements of the Company as at and for the business year ended December 31, 2016 comprise the Company and its subsidiaries (together referred to as "CQLT SaarGummi Group" or the "Group" and individually as "Group entities").

The parent company of CQLT International Investment Company Ltd. is Chongqing Light Industry and Textile Holding Group Co., Ltd. Chongqing Light Industry and Textile Holding Group Co., Ltd. is listed in the commercial register of Chongqing, China under 51000001805149. The major shareholder of Chongqing Light Industry and Textile Holding Group Co., Ltd. is State-owned Assets Supervision and Administration Commission, Chongqing, People's Republic of China.

The CQLT SaarGummi Group is a group involved in the processing of rubber. It is a development partner and supplier to the automobile industry in Europe, North and South America and Asia. Its range of products comprises mainly the development and manufacture of bodywork seals and the manufacture of the tools to go with them. Moulded goods are also produced as well. These are used in industry for hydraulics, safety technology and the footwear industry. The Group also supplies the building trade with sealing systems for windows, facades and roofs.

1.2 Basis of preparation

The consolidated financial statements have been prepared in accordance and in conformity with all International Financial Reporting Standards (IFRS) and the publications of the International Financial Reporting Interpretations Committee (IFRIC).
These financial statements cover the business year from January 1, 2016 to December 31, 2016 (comparison period: business year January 1, 2015 to December 31, 2015) and were authorized for issue by the Executive Board of the Company on March 16, 2017.

The consolidated statement of comprehensive income is prepared based on the nature of expense method.

The consolidated financial statements are presented in Euro. All amounts have been rounded to the nearest thousand (KEUR), unless otherwise indicated. The parent company's functional currency is Chinese Yuan Renminbi (CNY). The presentation currency of the consolidated financial statements is Euro due to the fact that the acquired parts of the former SaarGummi Group operate mainly in Europe.

CQLT SaarGummi Technologies S.à.r.l. and CQLT SaarGummi Deutschland GmbH which were integrated into the consolidated financial statements of CQLT International Investment Company Ltd. as part of the full consolidation, are making use of the exemption from the obligation to draw up, audit and publish annual consolidated financial statements and management reports in accordance with the stipulations that apply to corporations.

Key assets and liabilities shown in the consolidated financial statements are measured as follows:

Assets	
Balance sheet item	Measurement principle
Non-current assets	
Intangible assets	Amortised cost
Property, plant and equipment	Amortised cost
Equity-method investments	Pro-rata value of the investment's equity carried forward
Other non-current financial assets	Amortised cost
Other non-current receivables	Amortised cost
Deferred tax assets	Non-discounted amount measured at the tax rate that are expected to apply to the period when the asset is realized or the liability settled
Current assets	
Inventories	Lower of net realisable value and cost
Trade receivables and other receivables	Amortised cost
Prepayments	Amortised cost
Financial instruments measured at fair value	Initially measured at acquisition costs. Subsequent measurement at fair value through profit and loss
Current income tax assets	Amount expected to be recovered from the taxation authorities, using the tax rate that have been enacted or substantively enacted by the end of the reporting period
Cash and cash equivalents	Amortised cost

Liabilities	
Balance sheet item	**Measurement principle**
Non-current liabilities	
Non-current interest-bearing loans and borrowings	Amortised cost
Provisions for pensions	Actuarial projected unit credit method
Other non-current provisions	Present value of the settlement amount
Other non-current liabilities	Amortised cost
Non-current income tax liabilities	Amount expected to be paid to the taxation authorities, using the tax rate that have been enacted or substantively enacted by the end of the reporting period
Deferred tax liabilities	Non-discounted amount measured at the tax rate that are expected to apply to the period when the asset is realized or the liability settled
Current liabilities	
Trade and other payables	Amortised cost
Current interest-bearing loans and borrowings	Amortised cost
Other current provisions	Settlement amount
Financial instruments measured at fair value	Initially measured at acquisition costs. Subsequent measurement at fair value through profit and loss
Income tax liabilities	Amount expected to be paid to the taxation authorities, using the tax rate that have been enacted or substantively enacted by the end of the reporting period
Cash and cash equivalents	Amortised cost

1.3 Basis of consolidation

The consolidated financial statements comprise the statement of CQLT International Investment Company Ltd., its subsidiaries and associates as at December 31, 2016. Subsidiaries are entities controlled by the Group. An entity is controlled if CQLT International Investment Company Ltd. is exposed to variable returns from its involvement within the entity and has entitlements to these. Control also exists if the mother has the ability to affect the returns through its power over the entity. In assessing control, potential voting rights that currently are exercisable are taken into account. Associates are companies on which CQLT SaarGummi Group has a significant influence, and that are no subsidiaries. Associates are accounted for using the equity method. The financial statements of subsidiaries and associates are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries and associates have been changed when necessary to align them with the policies adopted by the Group. Internal Group profits and losses, expenses and revenues as well as receivables and liabilities are eliminated.

1.4 Consolidated companies

The Group's consolidated financial statements as of December 31, 2016 include, besides CQLT International Investment Company Ltd., a total of 29 (2015: 25) subsidiaries. As of December 31, 2016 the following companies were fully consolidated:

			Shareholding in %	Shareholding in %
CQLT - SaarGummi Group companies			**Dec. 31, 2016**	**Dec. 31, 2015**
CQLT International Investment Company Ltd.	Chongqing	People's Republic of China	Parent Company	Parent Company
CQLT International Investment Holding Ltd.	Hong Kong	People's Republic of China	100%	100%
CQLT International Management Ltd.	Hong Kong	People's Republic of China	0%*	100%
SaarGummi Beteiligungs GmbH	Wadern-Büschfeld	Germany	100%	100%
CQLT SaarGummi Technologies S.à r.l.	Remich	Luxembourg	100%	100%
SaarGummi Deutschland Holding GmbH	Wadern-Büschfeld	Germany	100%	100%
SaarGummi technologies International GmbH	Wadern-Büschfeld	Germany	100%	100%
SaarGummi Construction GmbH	Losheim	Germany	100%	100%
SaarGummi Neo GmbH	Rehlingen-Siersburg	Germany	100%	100%
CQLT SaarGummi Deutschland GmbH	Wadern-Büschfeld	Germany	100%	100%
SaarGummi Verwaltungs GmbH	Wadern-Büschfeld	Germany	100%	100%
SaarGummi Service GmbH	Wadern-Büschfeld	Germany	100%	100%
DURAPROOF technologies GmbH	Wadern-Büschfeld	Germany	100%	100%
Ela Tech Rheinland Elastomere Technology GmbH	Gelnhausen	Germany	100%	100%
SaarGummi Czech s.r.o.	Cerveny Kostelec	Czech Republic	100%	100%
SaarGummi Ibérica S.A.	Madrid	Spain	100%	100%

SaarGummi Tennessee Inc.	Tennessee	United States of America	100%	100%
SaarGummi Slovakia s.r.o.	Dolne Vestenice	Slovakia	100%	100%
SaarGummi France S.A.S.	Saareguemines	France	100%**	0%
SaarGummi do Brasil Ltda.	Sao Paulo	Brazil	100%	100%
SaarGummi Mexico S.A. de C.V.	Queretaro	Mexico	100%**	0%
SaarGummi Servicio S.A. de C.V.	Queretaro	Mexico	100%**	0%
SaarGummi Russland LLC	Nizhny Novgorod	Russian Federation	100%	100%
SaarGummi (Shanghai) Rubber Technologies Co. Ltd.	Shanghai	People's Republic of China	100%**	0%
SaarGummi China Investment Co. Ltd.	Chongqing	People's Republic of China	100%	100%
Chongqing Jiaxuan SaarGummi Rubber & Plastic Sealing Co. Ltd.	Chongqing	People's Republic of China	100%	100%
SaarGummi Yujin (Chongqing) Rubber & Plastic Products Co. Ltd.	Chongqing	People's Republic of China	100%	100%
SaarGummi (Chongqing) Sealing System Co. Ltd.	Chongqing	People's Republic of China	100%	100%
SaarGummi (Yingkou) Sealing System Co. Ltd.	Yingkou	People's Republic of China	100%	100%
Gold Seal SaarGummi India Ltd.	Mumbai	India	51%	51%

* Subsidiary merged in 2016

** Subsidiaries established in 2016

CQLT International Management Ltd., Hong Kong, was merged as at January 1, 2016 to CQLT International Investment Holding Ltd, Hong Kong.
SaarGummi France S.A.S. was incorporated on April 19, 2016, SaarGummi Mexico S.A. de C.V. and SaarGummi Servicio S.A. de C.V. were incorporated on April 4, 2016 and SaarGummi (Shanghai) Rubber Technologies Co. Ltd. was incorporated on May 17, 2016. All new established subsidiaries were fully consolidated.

2. Estimates and judgements

2.1 General provisions, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The assumptions and estimates principally relate to the consolidation of business combinations, the assessment of the recoverability of the carrying amount of intangible assets (in particular goodwill), the group-wide determination of useful lives of material assets, taxation and the recognition of deferred tax assets and the measurement and recognition of provisions for pensions and other provisions. Assumptions and estimates are based on premises derived from knowledge at the time.

Within the scope of business combinations, general estimates are also made when determining the fair values of the assets acquired. In principle fair value is determined based on the prognosis of future cash flows.

The key assumptions concerning the future economic situation and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at any other time when triggering events for impairment exist. Other non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable.

Deferred tax assets

Management judgment is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. For further details refer to note 5.8 Income taxes.

Fair value of financial assets and liabilities

Trade and other receivables, cash and cash equivalents, trade and other payables, current liabilities to banks, current leasing liabilities and other current financial liabilities generally have short times to maturity. The carrying amounts less allowances, where applicable, approximate the fair values.
The fair values of non-current liabilities to banks, non-current leasing liabilities and non-current liabilities to related parties are calculated as the present values of the payments associated with the debts, based on the applicable yield curve and CQLT Saar-Gummi Group's credit spread curve for specific currencies.

Pension and other post-employment benefits

The carrying amounts of defined benefit pensions plans and other post-employment benefits are based on actuarial valuations. The actuarial valuations involved making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net pension liability at December 31, 2016 is KEUR 11,617 (2015: KEUR 10,795). Further details are given in note 6.11 Provisions for Pensions.

Other provisions

Such provisions are recognised when it is considered probable that economical, legal, ecological and decommissioning obligations will result in future outflows of economic benefits, when the costs can be estimated reliably and the measures in question are not expected to result in future inflows of economic benefits. The estimate of future costs is subject to many uncertainties, including legal uncertainties based on the applicable laws and regulations and with uncertainties regarding to the actual conditions in the different countries and operating locations. In particular, estimates of costs are based on earlier experiences in similar cases, the conclusions of expert opinions commissioned by the Group, current costs and new developments that have a bearing on the costs. Any changes to these estimates could have an impact on the future results of the Group. At December 31, 2016, the carrying amount of recognised other provisions amounts to KEUR 4,280 (2015: KEUR 4,416).

2.2 Economic useful lives of property, plant and equipment and intangible assets

The applied economic lives of non-current assets are based on estimates of the management. The Group reviews the estimated economic useful lives of property, plant and equipment and intangible assets at the end of every financial year. For further details refer to note 3.4 Intangible assets and note 3.5 Property, plant and equipment.

2.3 Taxation

The Company and its subsidiaries are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the respective authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by all Group entities.

3.1 New accounting standards and interpretations

The Group applied all the effective standards and interpretations issued by the IASB and the IFRIC for preparation of the consolidated financial statements if their application was required as of December 31, 2016. There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on January 1, 2016 that would have a material impact on the Group.
New accounting standards and amendments to standards or interpretations effective as of January 1, 2016:

- **IAS 1 Disclosure Initiative.** This project is part of the IASB's overall disclosure initiative. The standard now clarifies that disclosures in the notes are only necessary if their content is not immaterial, which is explicitly the case if an IFRS specifies a list of minimum disclosures. The amendment had no significant impact on the consolidated financial statements.

- **Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation:** In its amendments of IAS 16 and IAS 38, the IASB has provided further guidance for determining acceptable methods of depreciation and amortisation. This amendment had no significant impact on the consolidated financial statements.

- **Amendments to IAS 16 and IAS 41 - Agriculture:** Bearer Plants: IAS 41 Agriculture currently requires all biological assets related to agricultural activity to be measured at fair value less costs to sell. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. This amendment had no significant impact on the consolidated financial statements.

- **Amendment to IAS 27 - Equity Method in Separate Financial Statements:** The IASB permitted the option to use the equity method of accounting in measuring investments in subsidiaries, joint ventures and associates in the separate financial statements of the investors. The existing options to measure such investments at cost or in accordance with IAS 39 or IFRS 9 are preserved. This amendment had no significant impact on the consolidated financial statements.

- **Amendments to IFRS 10, IFRS 12 und IAS 28 - Investment Entities:** Applying the Consolidation Exception: The amendments address issues that have arisen in the context of applying the consolidation exemptions for investment entities. This amendment had no significant impact on the consolidated financial statements.

- **Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations:** With its amendment of IFRS 11, the International Accounting Standards Board (IASB) governs the procedure for recognizing joint ventures and joint operations in both the statement of financial position and in profit or loss. Joint ventures must be recognized using the equity method, whereas the treatment of joint operations is comparable to proportionate consolidation, pursuant to IFRS 11. This amendment had no significant impact on the consolidated financial statements.

- **Annual Improvements to IFRSs 2012 – 2014 cycle:** As part of the annual improvement project "Improvements to IFRS 2012 – 2014," amendments were made to four standards. Adjustments to the wording of individual IFRSs/IASs are intended to clarify existing regulations. The following standards are affected: IFRS 5, IFRS 7, IAS 19 and IAS 34. The improvements do not have a material impact on the Group's consolidated financial statements.

A number of new standards and amendments to standards and interpretations have been published by the IASB but are not mandatorily effective for annual periods beginning on or after January 1, 2016 and therefore have not been applied in preparing these consolidated financial statements. The standards which might have an effect on the consolidated financial statements of the Group are described in more detail below. For all other new standards or amendments no material effects are expected. The Group has not early adopted the following new standards in preparing these consolidated financial statements.

Standard/ Interpretation	Name
IFRS 9	Financial Instruments
"IFRS 10 IAS 28"	Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 15	Revenue from Contracts with Customers
IFRS 15	Amendment to IFRS 15 - Clarifications to IFRS 15
IFRS 16	Leases
IAS 7	Amendments to IAS 7 - Disclosure Initiative
IAS 12	Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses
IAS 40	Amendment to IAS 40 - Transfer of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration
DIV	Annual Improvements to IFRSs 2014-2016

- In July 2014, the International Accounting Standards Board issued the final version of IFRS 9, Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently verifies an early application of IFRS 9 with the implementation of hedge accounting in 2017. The actual impact of adopting IFRS 9 on the Group's consolidated financial statements is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future. However, the Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its positions at 31 December 2016.

Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at 31 December 2016, would have a material impact on its accounting for financial assets.

Impairment - Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to show changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under IFRS 9, loss allowance will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible defaults events over the expected life of a financial instrument.

The Group's preliminary assessment indicated that application of IFRS 9's impairment requirements at 31 December 2016 would probably have no significant effect on the Groups financial statement, because the credit risks of the main customers are very low. However the, the CQLT SaarGummi Group has not yet finalized the impairment methodologies that it will apply under IFRS 9.

Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. The Group believes that IFRS 9 requirements regarding the classification of financial liabilities have no material impact on the consolidated financial statements.

- **IFRS 15 Revenue from contracts with customers** establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

CQLT SaarGummi Group manufactures and sells customer-specific serial products and develops tools on behalf of the customer, which, after development, pass into the property of the customer but remain in the possession of CQLT SaarGummi Group for the production of the customer-specific serial products.

Serial production

For the sales of serial products, revenue is currently recognised when the goods are delivered to the customer or ex works, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. According to IFRS 15.38, revenues are to be recorded if the control, i.e. the risks and rewards incident to ownership, transfers to the customer at a certain point in time. With regard to the revenue realization for the sale of the serial parts, there is no difference between IAS 18 and IFRS 15. Revenue from the sales of serial products shall be recognized with the transfer of the significant risks and rewards of ownership of the goods to the customer.

Development and sale of customer-specific tools

Under IFRS 15.35, a company recognizes revenues over a period of time, when the following criterions are met: With its performance, the enterprise generates an asset which the company cannot otherwise use; the company has a payment claim for the services rendered so far and can also expect the contract to be fulfilled as agreed.

The development of customer-specific tools takes place in two stages. In the first stage, prototype tools are developed in three phases. In the second stage (phase 4), the serial tool is developed. In each phase, milestones are defined that are explicitly accepted by the customer. The milestones are also linked to the payment of a remuneration.

The Group has carried out the assessment of these transactions and does not expect any material impact on the consolidated financial statements. The Group will apply the new standard as soon as it is effective.

- **IFRS 16 Leases** introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying assets and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluation the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customer at or before the date of initial application of IFRS 16. The Group will apply the new standard as soon as it is effective.

The CQLT SaarGummi Group has started an initial assessment of the potential impact on its consolidated financial statements with the preparation of the 5-year planning. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its rent contracts of manufacturing and office buildings and for its operating leases of operating equipment. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group expects a decrease of the equity ratio by approx. 3 percentage points. No significant impact is expected for the Group's EBT and operating cash flow. The Group has not yet decided whether it will use the either a full retrospective or a modified retrospective approach on transition for leases existing at the date of transition.

3.2 Currency conversion

The Group's consolidated financial statements are presented in Euro (EUR). Each entity in the Group determines its own functional currency and items included in the separate financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed. At this moment the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively). On consolidation the assets and liabilities of foreign operations are translated into Euro at the rate of exchange prevailing at the reporting date and their income statements are translated at the average exchange rate of the period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

For a loan granted to its subsidiary in Brazil the Group applies the stipulations of IAS 21.32 Net investment in a foreign entity since April 2015. Due to changed economic conditions in Brazil a settlement of the loan is neither planned nor likely to occur in the foreseeable future from this point in time. Exchange rate differences arising on this monetary item that forms part of the Group's net investment in a foreign entity are recognised in other comprehensive income and reclassified from equity to profit and loss on disposal of the net investment. At December 31, 2016 an amount of KEUR 2.955 (2015: KEUR -2,793) has been recognised in other comprehensive income.

The exchange rates of certain significant currencies versus Euro are as follows:

Currency	ISO Code	Rate at closing date	Average exchange rate	Rate at closing date	Average exchange rate
		Dec. 31, 2016	2016	Dec.31, 2015	2015
Argentine Peso	ARS	16.8847	16.352	14.1239	10.2755
Brazilian Real	BRL	3.4384	3.8561	4.2504	3.699
Chinese Yuan Renminbi	CNY	7.3202	7.3522	7.0608	6.9741
Czech Koruna	CZK	27.0200	27.0343	27.025	27.2802
Hong Kong Dollar	HKD	8.1751	8.5922	8.4376	8.603
Indian Rupee	INR	71.5935	74.3717	72.0215	71.1982
Russian Rouble	RUB	64.3000	74.1446	80.6736	68.0645
US-Dollar	USD	1.0541	1.1069	1.0887	1.1097
Mexican Peso	MXN	21.7719	20.6673		

3.3 Revenue

Revenues from the sale of goods are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenues from the rendering of services and revenues from contract work are recognised according to performance status ('Percentage-of-Completion' or PoC method), whereby the performance status is calculated from the ratio of actually cost to estimate total costs. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

3.4 Intangible assets

(A) Purchased intangible assets

Purchased intangible assets are recognised at cost or, if acquired in a business combination, at their respective fair values. They are amortised on a straight-line basis over their useful lives. With the exception of goodwill no intangible asset with indefinite useful life is recognised. Intangible assets with indefinite useful lives are subject to an annual impairment test and not to scheduled amortisation. Scheduled amortisation of intangible assets may take place over the following useful life periods:

	Useful life in years
Intangible assets	3 - 40

(B) Research and development costs

Expenditure on research activities, undertaken with purpose of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

(C) Goodwill

Goodwill represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (badwill) it is recognised in profit or loss. Capitalised goodwill is not subject to amortisation. It is assessed annually for impairment and can be assessed more frequently, if there might be any indication for impairment during the year.

For further details refer to note 6.1 Intangible assets.

3.5 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and the costs of dismantling and removing the items.
If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other operating income or other operating expenses in profit or loss.
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the leased asset under finance lease shall be fully depreciated over the shorter of the lease term and its useful life. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date.
The estimated useful lives for the current and comparative periods are as follows:

	Useful life in years
Buildings	50
Plant and equipment	7 - 20
Fixtures and fittings	3 - 15

For further details refer to note 6.2 Property, plant and equipment.

3.6 Borrowing costs

Borrowing costs that can be allocated to the purchase, construction or production of a qualifying asset are capitalised as part of the acquisition costs. A qualifying asset is determined as an asset that necessarily takes a substantial period of time to get ready for its intended use. For detailed information refer to note 6.2 Property, plant and equipment.

3.7 Impairment of intangible assets and of property, plant and equipment

The carrying amounts of the Group's intangible assets and items of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill the recoverable amount is estimated at least once in a year at the same time.

The recoverable amount of an asset is defined as the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the carrying amount exceeds the recoverable amount, the difference is recognised as an impairment loss in the income statement. For the impairment test, assets are reflected at the lowest level for which cash flows are separately identifiable. If the cash flow for an asset is not separately identifiable, the impairment test is conducted on the basis of the cash-generating units (CGUs) to which the asset belongs. Goodwill is allocated to CGUs to perform an annual impairment test on goodwill. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed even in case of subsequent increase in value. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Detailed information is reported within note 6.1 Intangible assets and note 6.2 Property, plant and equipment.

3.8 Inventories

Inventories include raw materials and supplies, work in progress, semi-finished goods, finished goods and merchandise.
Inventories are measured at the lower of cost or net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition.
In the case of manufactured inventories and work in progress, cost of inventories includes direct material and production costs and an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

For further details refer to note 5.3 Cost of material and services purchased and note 6.5 Inventories.

3.9 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset, if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The tax reconciliation and additional information are reported within the note 5.8 Income taxes.

3.10 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings as well as trade and other payables.
Cash and cash equivalents comprise cash balances and call deposits.
Non-derivative financial instruments are recognised initially at fair value and, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Subsequent measurement depends on the categorisation of the financial instrument as described below:
Loans and receivables comprise trade receivables and other financial assets and are measured at amortised cost less any impairment losses. Impairment losses on trade and other receivables are recognised using separate allowance accounts.
Available for sale financial assets are generally measured at fair value with any gains or losses being recognised in other comprehensive income, except for equity instruments whose fair values could not be reliably measured, and which were therefore recognised at cost. Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that are not classified in any of the other categories.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.
Financial liabilities are measured at fair value on initial recognition. For all financial liabilities not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are also recognised. Trade payables and other non-derivative financial liabilities are generally measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount is shown in the Group's balance sheet only if, at the relevant balance sheet date, there is a legitimate claim to offset the amounts accounted for against each other and if it is intended that a settlement be made on a net basis or that the liability in question be extinguished at the same time by realizing the asset concerned.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial instruments and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3.11 Derivative financial instruments

Derivative financial instruments (e.g. currency forwards) are currently not accounted for using hedge accounting under IFRS. Derivative financial instruments are classified as Held for Trading (HfT) and are accounted for at fair value through profit and loss (FVTPL); hence all changes in the fair value of the derivatives are directly recognised in the profit and loss statement. For further details refer to note 8. Additional disclosures on financial instruments.

3.12 Financial income and expenses

Financial income comprises interest income on funds invested, changes in the fair value of derivative financial instruments and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive the payment is established.

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of derivative financial instruments, impairment losses recognised on financial assets and foreign exchange losses. All borrowing costs are recognised in profit or loss using the effective interest method.

3.13 Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.
Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An allowance account is used to record impairment losses in respect of trade receivables unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off against the financial asset directly.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

For further details refer to note 8. Additional disclosures on financial instruments.

3.14 Provisions for pensions and other employee benefits

Pensions for provisions and other employee benefits are carried as liabilities in accordance with IAS 19.67 using the projected unit credit method. The Group accounts for actuarial gains and losses in other comprehensive income. The same applies to past service costs. The amount which has to be accounted for as a liability from a defined-benefit pension plan comprises of the cash value of the defined-benefit pension obligation less the fair value of the plan assets which exist for the direct fulfilment of obligations. Actuarial valuations for the obligations are drawn up annually on the balance sheet date. An actuarial valuation is made on the basis of various assumptions. These include the calculation of the discount rates for unaccrued interest, future wage and salary increases, the mortality rate and future pension increases. Because the valuation and the assumptions on which it is based are complex and long-term, a performance-related obligation reacts very sensitively indeed to any change in said assumptions. All assumptions are thus reviewed on each annual financial statement date.

For further details refer to note 6.11 Provisions for pensions.

3.15 Other provisions

A provision is recognized, if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of discounting is material, provisions are measured at their present value. For detailed information about other provisions refer to note 6.12 Other provisions.

3.16 Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.
Rental and lease payments made by the Group under operating leases are recognised in other operating expenses as they incur. All relevant details are reported within note 7. Disclosures on leases.

3.17 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

3.18 Government grants

Government grants are reported as other liabilities. Following initial recognition, such grants are reported as other operating income over the asset's useful life on a scheduled and reasonable basis. Government grants related to income are shown as other operating income. Further details are reported within note 6.13 Other non-current liabilities.

4. Financial risk management

The financial liabilities used by the Company mainly comprise bank loans and overdrafts, finance leases, debts from supply and performance and hire purchase contracts and other loans granted. The main purpose of these financial liabilities is the financing of the Group's business activities. Various financial assets such as trade receivables and cash which result directly from said business activities continue to be available to the Group.

The Group is exposed to the following risks from financial instruments:
- credit risk,
- liquidity risk, and
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

4.1 Credit risk

Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure.
The Group's exposure to credit risk is mainly influenced by the individual characteristics of each customer. The Group only concludes business transactions with creditworthy third parties. All customers wishing to conclude business transactions with the Group on credit are subjected to a test of their creditworthiness. In addition to that, the receivables are monitored continuously, so that the Group is not exposed to any substantial risks of non-payment. The maximum risk of non-payment is limited to the carrying amount shown. In the case of transactions which are not carried out in the country of the operative unit concerned no credits are granted without prior approval from the head of accounts receivable controlling. There are no substantial concentrations of non-payment risks in the Group.

4.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due, e.g. settlement of its financial debt and paying its suppliers. The Group's approach of managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group continuously monitors the risk of a liquidity bottleneck using a liquidity planning tool. It is the aim of the Group to maintain a balance between ongoing coverage of the need for funds and the guarantee of flexibility by the use of overdrafts, loans, finance leases and hire purchase contracts.

Beyond effective working capital and cash management, the Group mitigates liquidity risk by having undrawn credit facilities of KEUR 24,321 (2015: KEUR 25,333).
Future cash outflows arising from financial liabilities that are recognised in the consolidated balance sheet are presented in the following table. This includes payments to settle the liabilities and interest payments.

Financial liabilities that are repayable on demand are included on the basis of the earliest date of repayment. Cash flows for instruments with a variable interest rate are determined with reference to the market conditions at the balance sheet date.

Dec. 31, 2016						
KEUR	up to 1 month	1 - 3 months	4 - 12 months	1 - 5 years	over 5 years	Total
Interest bearing loans and borrowings	3,419	26,861	131,980	43,338	463	206,061
Trade payables	6,263	36,945	12,709	-	-	55,917
Other liabilities	5,047	19,480	24,761	14,137	4,306	67,731
Total	**14,729**	**83,286**	**169,450**	**57,475**	**4,769**	**329,709**

Dec. 31, 2015						
KEUR	up to 1 month	1 - 3 months	4 - 12 months	1 - 5 years	over 5 years	Total
Interest bearing loans and borrowings	11,131	17,066	138,418	32,858	677	200,150
Trade payables	2,213	34,502	8,575	-	-	45,290
Other liabilities	2,993	17,705	19,369	13,027	3,978	57,072
Total	**16,337**	**69,273**	**166,362**	**45,885**	**4,655**	**302,512**

4.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following three types of risk: foreign currency exchange rate risk, interest rate risk and other price risks. Financial instruments exposed to market risk include interest-bearing loans and derivative financial instruments.

(A) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign currency exposures of individual affiliates are managed and optimised against the functional currency of the respective entity.

Foreign currency risks exist as there are sales and purchases in different currencies. Management is in process to analyse the underlying risks and to implement adequate instruments to mitigate these risks. Foreign currency risks the Group is exposed to result from its operating activities. Although Group entities mainly operate in their individual functional currency, some Group entities are exposed to foreign currency risks based on planned payments in a currency other than their functional currency.

Foreign currency risks are presented by application of sensitivity analyses required by IFRS 7. These show the effects of hypo-

thetical changes of relevant risk variables on result before tax as a consequence of upward revaluation and devaluation of Euro and USD against foreign currencies which are material for the Group. In the scope of these analyses are financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature.
According to the requirements of IFRS 7 differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration. No effects, except for those from result before tax and those arising concerning monetary items that are designated as part of the Group's net investment of a foreign operation, resulted on shareholders' equity.

KEUR +5% increase of EUR	2016	2015
against USD	-397	4,723
against CNY	-944	-2,263
against CZK	-924	468
against RUB	2	3
Total	**-2,263**	**2,931**

KEUR -5% increase of EUR	2016	2015
against USD	397	-4,723
against CNY	944	2,263
against CZK	924	-468
against RUB	-2	-3
Total	**2,263**	**-2,931**

KEUR +5% increase of USD	2016	2015
against CNY	1	750
Total	**1**	**750**

KEUR -5% increase of USD	2016	2015
against CNY	-1	-750
Total	**-1**	**-750**

(B) Interest rate risk

Interest rate risk is the risk of result and / or cash flows being negatively affected by changes in interest rates. The Group is exposed to interest rate risks from loans with variable interest rates. Interest rate risks are presented by way of sensitivity analyses in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders' equity. The interest rate sensitivity analyses are based on the following assumptions:

Changes in the market interest rates of all non-derivative financial instruments with fixed interest rates that are carried at amortised cost are not subject to interest rate risk as defined in IFRS 7.

Changes in market interest rates affect the interest income or expense of non-derivative variable-interest financial instruments and the interest payments which are not designated as hedged items of cash flow hedges against interest rate risks. As a consequence, they are included in the calculation of income-related sensitivities.

KEUR -5% increase of EUR	effect on result before tax	effect on equity before tax
Scenario 1: increase in interest rate structure by 100 base points		
2016	-1,968	-1,968
2015	-1,893	-1,893
Scenario 2: decrease in interest rate structure by 100 base points		
2016	1,968	1,968
2015	1,893	1,893

5. Notes to the consolidated statement of comprehensive income

5.1 Revenues

KEUR	2016	2015
Sales of goods	492,845	445,690
Revenues from contract work	29,657	18,318
Revenues	**522,502**	**464,008**

The revenues contain reimbursed tool costs. Revenues from contract work amounting to KEUR 29,657 (2015: KEUR 18,318) and costs amounting to KEUR -27,669 (2015: KEUR -18,026) were incurred for construction contracts existing on the balance sheet date. A result of KEUR 1,988 (2015: KEUR 292) was achieved. Advances amounting to KEUR 778 were received relating to construction contracts (2015: KEUR 270).

5.2 Other operating income

KEUR	2016	2015
Foreign exchange rate gains	6,698	17,136
Income from release of other reserves	2,322	382
Sundry other operating income	2,280	3,993
Income from insured loss	1,226	864
Grant received	490	650
Income from rent and maintenance	451	-
Income from tax refund for export promotion Brazil	333	-
Income from currency derivatives	149	-
Income from the sale of intangible assets and property, plant and equipment	50	1,623
Other operating income	**13,999**	**24,648**

From total grants received of KEUR 490 (2015: KEUR 650) an amount of KEUR 38 (2015: KEUR 348) are government grants relating to income.

5.3 Cost of material and services purchased

KEUR	2016	2015
Costs of raw materials, consumables and supplies	-286,302	-238,720
Costs of services purchased and subcontracting	-21,204	-17,658
Cost of material and services purchased	**-289,506**	**-256,378**

5.4 Personnel expenses

KEUR	2016	2015
Salaries and wages	-114,082	-97,813
Social insurance contributions	-19,244	-17,220
Pension costs - defined contribution plans	-6,001	-5,838
Pension costs - defined benefit plans	-43	-42
Personnel expenses	**-139,370**	**-120,913**

The average number of employees during the financial year 2016 was 5,613 (2015: 4,772), thereof 90 (2015: 185) part-time employees.

5.5 Other operating expenses

KEUR	2016	2015
External services	-25,310	-22,178
Sales costs	-12,877	-11,355
Travel costs and entertainment expenses	-7,408	-6,114
Operating leasing expenses	-7,112	-6,711
Foreign exchange rate losses	-5,947	-15,612
Other administration costs	-5,174	-4,657
Other	-3,586	-3,156
Voluntary social benefits / grants	-3,215	-2,452
Insurance premiums	-2,574	-2,132
Other operating expenses	**-73,203**	**-74,367**

The costs of research and development accounted for as expense in the income statement amounted to KEUR 5,193 (2015: KEUR 1,203).

5.6 Financial income

KEUR	2016	2015
Interest income	127	212
Dividend income	163	172
Financial income	**290**	**384**

Total interest income calculated using the effective interest method for financial instruments which are not at fair value through profit and loss is amounting to KEUR 127 (2015: KEUR 212).

5.7 Financial expenses

KEUR	2016	2015
Interest expenses for other interest bearing loans and borrowings	-4,739	-4,844
Interest expenses for pensions and similiar obligations	-233	-207
Interest expenses for finance leases	-73	-10
Other financial expenses	-417	-416
Financial expenses	**-5,462**	**-5,477**

Total interest expenses for other interest bearing loans and borrowings calculated using the effective interest method for financial instruments which are not at fair value through profit and loss is amounting to KEUR -4,739 (2015: KEUR -4,844).

5.8 Income taxes

The following table provides a breakdown of income taxes:

KEUR	2016	2015
Current taxes	-12,507	-7,216
Deffered taxes	5,299	6,672
income taxes	**-7,208**	**-544**

Deferred taxes are recognised only to the extent that it is more likely than not that the related tax benefits will be realisable.

The following table reconciles the expected income tax expense to the actual income tax expense presented in the consolidated financial statements. To calculate the expected income tax expense, a tax rate of 27.55% (2015: 27.85%) was applied to earnings before income taxes. The tax rate applied is an unweighted average of the Group's entities tax rates.

KEUR	2016	2015
Earnings before income taxes (EBT)	**16,537**	**7,706**
Expected tax rate	27.55%	27.85%
Expected income taxes	**-4,556**	**-2,146**
Tax effects resulting from:		
Differences in tax rates	-4,050	-9,227
"Reduction for impairment or reversal of reductions for impairment on deferred tax assets on tax loss "	4,415	4,425
Adjustments for current income tax from previous years	132	-1,382
Non-recognition of deferred tax assets	-14,765	-9,848
Non-deductible expenses and tax-exempt income	10,306	13,745
Differences from foreign and deferred tax	-3	-40
Changes to deferred tax resulting from tax rate changes	58	-136
Utilization of previously unrecognized tax losses	1,183	3,899
Other effects	73	166
Income taxes	**-7,208**	**-544**
Effective income tax rate	43.59%	7.06%

Deferred taxes relate to the following key balance sheet items:

Keur	Jan 1, 2016						Dec. 31, 2016		
	Net balance	Recognised in profit and loss	Recognised in OCI	Acquired in business combination	Currency translation differences	Use of recognized tax losses carried forward	Net	Deferred tax assets	Deferred tax liabilities
Non-current assets	**-9,243**	**362**	**0**	**0**	**83**		**-8,798**	**249**	**9,047**
Intangible assets	-4,196	1,130	-	-	95		-2,971	9	2,980
Property, plant and equipment	-5,047	-768	-	-	-12		-5,827	240	6,067
Other non-current assets	-	-			-		-	-	-
Current assets	**193**	**558**	**0**	**0**	**2**		**753**	**2,895**	**2,142**
Inventories	1,331	1,486	-	-	3		2,820	2,830	10
Trade receivables and other receivables	-1,121	-962	-	-	-4		-2,087	40	2,127
Other current assets	-17	34	-	-	3		20	25	5
Non-current liabilities	**1,456**	**-34**	**259**	**0**	**0**		**1,681**	**1,681**	**0**
Provisions for pensions	1,456	-34	259	-	-		1,681	1,681	0
Other non-current provisions	-	-	-	-	-		-	-	-
Current liabilities	**1,395**	**520**	**0**	**0**	**13**		**1,928**	**2,581**	**653**
Trade and other payables	1,081	799	-	-	13		1,893	1,903	10
Current interest-bearing loans and borrowings	17	70	-	-	-		87	87	-
Other current provisions	297	-349	-	-	-		-52	591	643
Tax losses carried forward	**6,068**	**3,893**	**0**	**0**	**113**	**-2,601**	**7,474**	**7,474**	**0**
Total before netting	**-131**	**5,299**	**259**	**0**	**212**	**-2,601**	**3,038**	**14,880**	**11,842**
Offsetting of deferred taxes								-5,831	-5,831
Presented in consolidated balance sheet							**3,038**	**9,049**	**6,011**

Keur	Jan 1, 2015					Dec. 31, 2015		
	Net balance	Recognised in profit and loss	Recognised in OCI	Acquired in business com-bination	Currency translation differences	Net	Deferred tax assets	Deferred tax liabilities
Non-current assets	**-12,609**	**3,551**	**0**	**0**	**-186**	**-9,243**	**132**	**9,375**
Intangible assets	-5,172	1,278	-	-	-302	-4,196	13	4,209
Property, plant and equipment	-5,534	371	-	-	116	-5,047	119	5,166
Other non-current assets	-1,903	1,903	-	-	-	-	-	-
Current assets	**422**	**-229**	**0**	**0**	**0**	**193**	**1,390**	**1,197**
Inventories	1,257	75	-	-	-1	1,331	1,331	-
Trade receivables and other receivables	-891	-231	-	-	1	-1,121	19	1,140
Other current assets	56	-73	-	-	-	-17	40	57
Non-current liabilities	**1,429**	**-82**	**109**	**0**	**0**	**1,456**	**1,461**	**5**
Provisions for pensions	1,429	-82	109	-	-	1,456	1,461	5
Current liabilities	**2,441**	**-990**	**0**	**0**	**-56**	**1,395**	**1,765**	**370**
Trade and other payables	2,289	-1,151	-	-	-57	1,081	1,142	61
Current interest-bearing loans and borrowings	15	3	-	-	-1	17	18	1
Other current provisions	137	158	-	-	2	297	605	308
Tax losses carried forward	**1,647**	**4,421**	**0**	**0**	**0**	**6,068**	**6,068**	**0**
Total before netting	**-6,670**	**6,672**	**109**	**0**	**-242**	**-131**	**10,816**	**10,947**
Offsetting of deferred taxes							-3,233	-3,233
Presented in consolidated balance sheet							**7,583**	**7,714**

The Group recognised KEUR 259 (2015: KEUR 109) deferred taxes directly in other comprehensive income for the remeasurements of provisions for pensions.

The Group has tax losses of KEUR 515,871 (2015: KEUR 493,508) that are available for offset against future taxable profits of the companies in which the losses arose. Tax losses are expiring as follows:

KEUR	2016
2017	-
2018	85
2019	2,930
2020	10,568
2021	9,614
after 2021	91,457
unlimited	401,217
Tax loss carryforwards	**515,871**

Deferred tax assets amounting to KEUR 7,474 (2015: KEUR 6,068) have been recognised in respect of these losses, for the major part no deferred tax asset has been recognised as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss-making for some time.

The Group recognised non-current income tax liabilities in Brazil. The non-current income tax liability is recognised mainly for outstanding intercompany interest which will be taxable in Brazil.

6. Notes to the consolidated statement of financial positions

6.1 Intangible assets

Keur	Goodwill	Licences, patents, trademarks and other rights	Develop-ment costs	Development costs	Other intangible assets	Total
Cost						
At Dec. 31, 2015	**2,898**	**3,813**	**23,673**	**4,688**	**37,919**	**72,991**
Additions - acquired through business combinations	-	-	-	-	-	-
Additions - internal development	-	-	1,935	-	-	1,935
Additions - acquired separately	-	255	-	4,652	1	4,908
Transfers	-	2,618	2,149	-3,974	-	793
Currency translation	-	27	1,275	68	-210	1,160
At Dec. 31, 2016	**2,898**	**6,713**	**29,032**	**54,434**	**37,710**	**81,787**
Accumulated amortisation						
At Dec. 31, 2015	**-2,352**	**-2,454**	**-12,054**	**0**	**-19,167**	**-36,027**
Additions (amortisation)	-	-740	-3,901	-	-3,396	-8,036
Currency translation	-	-31	-837	-	10	-858
At Dec. 31, 2016	**-2,352**	**-3,225**	**-16,792**	**0**	**-22,553**	**-44,921**
Carrying amount						
At Dec. 31, 2015	**546**	**1,359**	**11,619**	**4,688**	**18,752**	**36,964**
At Dec. 31, 2016	**546**	**3,488**	**12,240**	**5,434**	**15,157**	**36,866**

Keur	Goodwill	Licences, patents, trademarks and other rights	Develop-ment costs	Development costs	Other intangible assets	Total
Cost						
At Dec 31, 2014	**2,898**	**3,424**	**20,842**	**2,922**	**40,826**	**70,912**
Additions - internal development	-	-	2,719	-	-	2,719
Additions - acquired separately	-	453	-	3,532	95	4,080
Transfers	-	-31	1,813	-1,671	1	111
Disposals	-	-58	-466	-75	-3,578	-4,178
Currency translation	-	25	-1,234	-19	576	-653
At Dec. 31, 2015	**2,898**	**3,813**	**23,673**	**4,688**	**37,919**	**72,991**
Accumulated amortisation						
At Dec 31, 2014	**-2,352**	**-1,714**	**-9,778**	**0**	**-15,346**	**-29,190**
Additions (amortisation)	-	-790	-3,184	-	-3,970	-7,944
Transfers	-	2	47	-	-	49
Disposals	-	50	114	-	164	328
Currency translation	-	-3	747	-	-14	730
At Dec. 31, 2015	**-2,352**	**-2,454**	**-12,054**	**0**	**-19,167**	**-36,027**
Carrying amount						
At Dec 31, 2014	**546**	**1,710**	**11,064**	**2,922**	**25,480**	**41,722**
At Dec. 31, 2015	**546**	**1,359**	**11,619**	**4,688**	**18,752**	**36,964**

Analysis of Goodwill	Dec. 31, 2016	Dec. 31, 2015
India	546	546
Goodwill	**546**	**546**

Goodwill is allocated to regions as follows:

Goodwill is tested for impairment at least once a year by comparing the carrying amounts of the regions to which goodwill is allocated with their value in use. Value in use is determined using the discounted cash flow method based on the current three year planning for the region concerned. The principal planning assumptions are expected market trends in relation to the company's development, changes in production and other cost, changes in discount rates. Assumptions are based on general market forecasts, current developments and past experience. The long-term growth rates used 5.5% p.a. (2015: 0% p.a.). Cash flows are forecasted on the basis of revenue and cost projections for each region to which goodwill is allocated. The discount rate applied is the pre-tax weighted cost of capital amounting to 14.2% p.a. (2015: 8.4% p.a.). Goodwill is only impaired if the region's value in use is less than its carrying amount.

In 2016 the calculated value in use of India was KEUR 15,884 (2015: KEUR 12,769) whereas the carrying amount was KEUR 10,261 (2015: KEUR 11,877). Therefore, no impairment loss had to be recognised as of December 31, 2016 (2015: KEUR 0).
Other intangible assets mainly comprise of acquired order books, customer relationships, basis technology and rights of use for land.

KEUR	Dec.31, 2016	Dec. 31,2015
Order books	1,327	2,256
Customer relationsship	5,228	6,565
Basis technology	2,687	3,471
Right of use for land	5,648	6,247
Opportunity book	73	166
Other	194	47
Other intangible assets	**15,157**	**18,752**

The remaining useful lives for significant other intangible assets are as follows:

Remaining useful lifes in years	Dec.31, 2016	Dec. 31,2015
Order books	0.5 - 1.5	0.5 - 2.5
Customer relationsship	3.5 - 6.5	3.5 - 7.5
Basis technology	4	4.5
Right of use for land	39	40
Opportunity book	0.5 - 1.5	0.5 - 2.5

6.2 Property, plant and equipment

KEUR	Land and buildings	Plant and machinery	Plant and machinery	Prepayments & construction in progress	Total
Cost					
At Dec. 31, 2015	**59,737**	**160,190**	**16,932**	**24,257**	**261,116**
Additions - acquired through business combinations					-
Additions - acquired separately	44	15,174	1,681	35,688	52,587
Transfers	5,061	21,050	-5,772	-21,133	-794
Disposals	-10	-1.886	-576	-1.184	-3,656
Currency translation	1,105	3,115	-32	-301	3,887
At Dec. 31, 2016	**65,937**	**197,643**	**12,233**	**37,327**	**313,140**
Accumulated depreciation					
At Dec. 31, 2015	**-6,849**	**-69,761**	**-6,630**	**0**	**-83,241**
Additions (depreciation)	-1,833	-16,049	-1,685	-	-19,567
Additions (impairment)	-	-99	-54	-	-153
Transfers	-	28	-28	-	0
Disposals	10	1,853	571	-	2,434
Currency translation	-127	-2,353	-186	-	-2,666
At Dec. 31, 2016	**-8,799**	**-86,381**	**-8,012**	**0**	**-103,192**
Carrying amount					
At Dec. 31, 2015	**52,888**	**90,429**	**10,302**	**24,257**	**177,875**
At Dec. 31, 2016	**57,138**	**111,262**	**4,221**	**37,327**	**209,948**

KEUR	Land and buildings	Plant and machinery	Plant and machinery	Prepayments & construction in progress	Total
Cost					
At Dec 31, 2014	**51,653**	**149,280**	**9,201**	**27,106**	**237,240**
Additions - acquired through business combinations	-	-	-	-	-
Additions - acquired separately	2,570	7,881	5,787	14,857	31,095
Transfers	5,991	10,139	2,380	-18,619	-109
Disposals	-1	-5,332	-293	-202	-5,828
Currency translation	-476	-1,778	-143	1,115	-1,282
At Dec. 31, 2015	**59,737**	**160,190**	**16,932**	**24,257**	**261,116**
Accumulated depreciation					
At Dec 31, 2014	**-5,540**	**-54,152**	**-4,741**	**0**	**-64,433**
Additions (depreciation)	-1,712	-15,665	-1,817	-	-19,193
Additions (impairment)	-	-5,775	-358	-	-6,133
Transfers	269	-318	-	-	-49
Disposals	118	4,397	169	-	4,684
Currency translation	15	1,751	117	-	1,883
At Dec. 31, 2015	**-6,849**	**-69,761**	**-6,630**	**0**	**-83,241**
Carrying amount					
At Dec 31, 2014	**46,113**	**95,128**	**4,460**	**27,106**	**172,807**
At Dec. 31, 2015	**52,888**	**90,429**	**10,302**	**24, 257**	**177,875**

In 2016 no borrowing cost for qualifying assets are capitalised as part of the acquisition costs (2015: KEUR 0).

The Group has commitments to purchase property, plant and equipment as of the balance sheet date amounting to KEUR 10,364 (2015: KEUR 18,772).

In 2016 the Group recognised an impairment loss on technical assets and machinery amounting to KEUR 99 (2015: KEUR 5,719) and an impairment of KEUR 54 (2015: KEUR 358) on factory and office equipment. The impairment loss is recognized within depreciation and amortization in the income statement of the Group. The recoverable amount of the assets was determined as their fair value less costs to sell, whereas the value in use of these assets is deemed to approximate its fair value less costs to sell. The recoverable amount is KEUR 0 whereas the carrying amount of the assets is KEUR 153 resulting in an impairment of KEUR -153. The fair values were determined considering experience-based as well as market-based parameters.

6.3 Equity-method investments

The Group holds an investment of 50% since 2013 in the associated company SaarGummi Rolling Automotive Product Co., Ltd., Hangzhou, People's Republic of China which is accounted for using the equity method.

CQLT-SaarGummi Group share %	Dec. 31, 2016	Dec.31,2015
SaarGummi Rolling Automotive Product Co., Ltd	50%	50%

Net carrying amount in KEUR	Dec. 31, 2016	Dec.31,2015
SaarGummi Rolling Automotive Product Co., Ltd	612	699
Equity-method investments	**612**	**699**

Aggregated key financial figures for the associated company accounted for using the equity method are shown below. The data is not based on the portions attributable to the CQLT SaarGummi Group, but represents the shareholdings on a 100% basis.

KEUR	Dec. 31, 2016	Dec.31,2015
Total assets	2,590	2,745
Total liabilities	1,318	1,174

KEUR	Dec. 31, 2016	Dec.31,2015
Net revenue	2,590	3,224
Profit (loss)	-174	-7

6.4 Other non-current assets

(A) Other non-current financial assets

KEUR	Dec. 31, 2016	Dec.31,2015
Deposits	754	488
Investment	2,734	2,834
Other non - current financial assets	**3,488**	**3,322**

The investments include equity instruments whose fair values could not be reliably measured, and which were therefore recognised at cost in the amount of KEUR 2,734 (2015: KEUR 2,834). As of the reporting date no plans existed to sell these instruments.

(B) Other non-current receivables

KEUR	Dec. 31, 2016	Dec.31,2015
Receivables reinsurance	118	75
Receivables insurance companies	224	330
Other	-	6
Other non-current receivables	**324**	**411**

6.5 Inventories

KEUR	Dec. 31, 2016	Dec.31,2015
Raw materials and supplies	14,139	12,947
Semi finished goods	5,699	5,080
Work in progress	6,329	9,319
Finished goods and merchandise	11,543	9,996
Inventories	**37,710**	**37,342**

Inventories recognized as expense amounted to KEUR -268,302 (2015: KEUR -238,720). As of December 31, 2016, the valuation allowance amounts to KEUR -5,435 (2015: KEUR -4,598). The valuation allowance recognised as an expense was KEUR 828 (2015: KEUR 484). The carrying amount of inventories valued at net realisable value is amounting to KEUR 4,150 (2015: KEUR 1,470).

6.6 Trade receivables and other receivables

KEUR	Dec. 31, 2016	Dec.31,2015
Trade receivables due from third parties	57,108	59,315
Gross amount due from customers for contract work	23,097	15,216
Other receivables	18,363	15,278
Trade receivables and other receivables	**98,568**	**89,809**

For detailed information about contract work please refer to note 5.1 Revenues.

Other receivables comprise the following accounts stated in the table below:

KEUR	Dec. 31, 2016	Dec.31,2015
VAT receivables	5,374	5,210
Receivable from sale of land	4,340	4,499
Receivables factoring	3,101	-
Receivables due from former group companies	1,860	1,871
Prepaid expenses	1,506	1,078
Sundry other receivables	1,022	1,851
Creditors with debit balances	812	171
Other tax receivables	348	368
Receivables due from electricity provider	-	227
Receivable due from customs authority	-	3
Other receivables	**18,363**	**15,278**

The Group received the cash from the sale of land in February 2017.

The following table shows the aging structure of trade receivables:

KEUR	Dec. 31, 2016	Dec.31,2015
Not past due nor impaired	68,391	61,316
Past due less than 30 days	5,148	7,777
Past due between 30 and less than 60 days	4,414	2,782
Past due between 60 and less than 90 days	646	868
Past due between 90 and less than 120 days	268	403
Past due more than 120 days	1,338	1,385
Total	**80,205**	**74,531**

The following table shows the development of allowances on trade receivables:

KEUR	Dec. 31, 2016	Dec.31,2015
Individual allowances at the beginning of the period	**934**	**1,130**
Additions	589	529
Reversal	-239	-408
Use	-72	-320
Currency translation	55	3
Individual allowances at the end of the period	**1,267**	**934**

KEUR	Dec. 31, 2016	Dec.31,2015
Portfolio-allowances at the beginning of the period	**24**	**15**
Additions	-	13
Reversal	-13	-5
Currency translation	-1	1
Portfolio-allowances at the end of the period	**10**	**24**

The following table shows the development of allowances on receivables due from former Group companies:

KEUR	Dec. 31, 2016	Dec.31,2015
Individual allowances at the beginning of the period	**32,555**	**32,435**
Additions	12	-61
Reversal	-	181
Individual allowances at the end of the period	**32,567**	**32,555**

6.7 Prepayments

Prepayments do only exist concerning third parties with a total amount of KEUR 2,108 (2015: KEUR 714) as of December 31, 2016.

A valuation allowance on prepayments of KEUR 0 (2015: KEUR 109) was recognised as of December 31, 2016.

6.8 Cash and cash equivalents

KEUR	Dec. 31, 2016	Dec.31,2015
Cash on current bank accounts	34,769	29,735
Short term deposits at banks	1,563	2,517
Cash on hand	39	50
Cash and cash equivalents according to consolidated balance sheet statement	**36,371**	**32,302**
Overdrafts at banks	7,432	15,007
Short-term bank liabilities	**7,432**	**15,007**
Cash and cash equivalents according to consolidated cash flow statement	**28,939**	**17,295**

Overdrafts at banks are shown under current interest bearing loans and borrowings in the consolidated balance sheets. For detailed information about loans and borrowings please refer to note 6.10 Interest bearing loans and borrowings.

6.9 Equity

For a detailed movement of the changes in equity refer to the consolidated statement of changes in equity.

(A) Subscribed capital

The subscribed capital of CQLT International Investment Company Ltd. amounts to KEUR 126,663 (2015: KEUR 113,234) and is fully held by Chongqing Light Industry and Textile Holding Group Co., Ltd., Chongqing, China. On the basis of a board resolution dated 18 August 2016 Share Capital has been increased by RMB 100 Mio (equivalent to KEUR 13.429). The amount has been paid in at August 2016. The subscribed capital is consisting of one (2015: one) share. The share capital is fully paid in as of the balance sheet date.

(B) Other components of equity

Currency translation differences: The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations. Furthermore this position contains currency translation differences arising from a loan granted to the parent company's subsidiary in Brazil, which is recognised as a net investment in a foreign entity since April 2015.
Remeasurements: Remeasurements comprise of actuarial gains and losses recognised in other comprehensive income according to IAS 19.
Income taxes: This item comprises of deferred income taxes on items recognised directly in equity.

(C) Capital management

The Group conducts a sound capital management program with the goal of enabling the Group to continue on a course of growth as well as ensuring the ability to meet the financial obligations. The financial resources provided by the owner have ensured that the required investments could be made and the Group's restructuring implemented according to plan. The resources were either provided by way of non-interest-bearing company loans or by CQLT covering any bank loans provided. The Group manages the equity as capital under IFRS amounting to KEUR 96,540 (2015: KEUR 74,371). There were no changes in the Group's approach to capital management during the year.

Neither CQLT International Investment Company Ltd. nor any of its subsidiaries are subject to externally imposed capital requirements.

6.10 Interest bearing loans and borrowings

(A) Non-current interest bearing loans and borrowings

KEUR	Dec. 31, 2016	Dec.31,2015
Non-current bank and similiar loans	35,992	27,674
Non-current obligations under finance leases	3,320	2,326
Other loans	2,221	1,946
Non-current interest-bearing loans and borrowings	**41,533**	**31,946**

One loan is granted to Gold Seal SaarGummi India Ltd. With a nominal amount of KEUR 2,794 and a carrying amount of KEUR 1,708 as of December 31, 2016 (2015: KEUR 0). The interest rate on the loan is 11% and the final maturity is in November 2021.
The second loan is granted to SaarGummi Czech s.r.o. with a carrying amount as of December 31, 2016 of KEUR 15,556 (2015: KEUR 0), an effective interest rate as of 3m-Euribor + 0,67% p.a. and a nominal amount of KEUR 20,000 (2015: KEUR 0). The final maturity of this loan is June 2021.

Another loan is granted by China Development Bank, Chongqing, People's Republic of China amounting to KEUR 13,900 (2015: KEUR 23,900) as of December 31, 2016. The interest on the loan is 3m-Euribor + 350 BP p.a. (2015: 3m-Euribor + 350 BP p.a.) and the final maturity is May 2020.

(B) Current interest bearing loans and borrowings

KEUR	Dec. 31, 2016	Dec.31,2015
Current bank and similiar loans	155,114	144,864
Shareholder loan	2,715	17,997
Current obligations under finance leases	1,245	666
Other loans	951	822
Current interest-bearing loans and borrowings	**160,025**	**164,349**

Current bank and similar loans consist of overdrafts at banks amounting to KEUR 7,432 (2015: KEUR 15,007), current term bank loans and current portions of non-current bank and similar loans amounting to KEUR 147,682 (2015: KEUR 129,857). The bank loans bear interest based on variable or fixed interest rates. Fixed interest rates vary between 0% p.a. and 11.25% p.a. (2015: 0% p.a. and 12.5% p.a.). Variable interest rates are between 0.96% p.a. and 25.68% p.a. above their underlying reference rate (2015: above 0.96% p.a. and 25.68% p.a.). Reference rates used are 3 month Libor and 3 month Euribor, CETIP, IVBR or MLI rates (2015: Reference rates used are 3 month Libor and 3 month Euribor or CETIP, IVBR and MLI rates).

Other loans comprise mainly of accrued interests of CQLT SaarGummi Deutschland GmbH and SaarGummi do Brazil Ltda. amounting to KEUR 195 (2015: KEUR 71) and loans from related parties amounting to KEUR 756 (2015: KEUR 751) against GoldSeal SaarGummi India Pvt. Ltd.
The Group pledged property, plant and equipment, trade and other receivables and inventory amounting to KEUR 68,319 (2015: KEUR 68,928) as securities for granted loans.

6.11 Provisions for pensions

(A) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as employee benefit expense in the profit or loss when they are due. Prepaid contributions are recognised as assets to the extent that a cash refund or a reduction in future payments is available.

Beside statutory pension funds, e.g. the German statutory pension insurance scheme ("Deutsche Rentenversicherung"), the Group operates no employer-financed defined contribution plans. For further details refer to note 5.4 Personnel expenses.

(B) Defined benefit plans

The Company operates various defined benefit pension schemes. Beneficiaries of these plans are employees in Germany, Slovakia and India.

In the period from 2011 to 2013, the Group was operating according to a labour agreement defined benefit scheme according to the "Bochumer Verband Neu". The pension scheme was a direct commitment. According to the regulations of the labour agreement the Group has to offer its employees to convert a fraction of their remuneration to be paid out later as a defined benefit obligation by the Group. If an employee is participating in the scheme the Group is giving him on top of the converted amount an additional grant. From January 1, 2014, the Group pension scheme is being offered on the chemical pension fund.

By this step, the risk of future liquidity requirements because of rising pension provisions was transferred to the chemical pension funds. The longevity risk and the risk of premature care cases bear the chemical pension funds now as well. The management of pensioners is also handled by the chemical pension funds. The avoided further increase of pension provisions has a positive effect on the equity ratio. Benefits for employees result from a higher flexibility, particularly when changing the employer and by the possibility of private continuation. According to the "Bochum Verband Neu" the previously acquired pension rights of employees to the Company still exist.

The Group has acquired defined benefit obligations in course of the acquisition of the ContiTech sealing systems business from Continental AG in 2005.

The plans is fully grounded by future operating cash flows.

The amounts recognised in the balance sheet are determined as follows:

KEUR	Dec. 31, 2016	Dec.31,2015
Present value of funded Defined Benefit Obligation (DBO)	11,681	10,854
Fair value of plan assets	64	59
Net liability	**11,617**	**10,795**

The amounts recognised in the income statement concerning defined benefit plans were as follows:

KEUR	2016	2015
Current service cost	-43	-42
Interest cost	-233	-207
Expected return on plan assets	1	1
Total	**-275**	**-248**

The movement in the DBO and in the fair value of plan assets over the year was as follows

KEUR	2016	2015
DBO at the beginning of the period	**10,854**	**10,603**
Current service costs	43	42
Interest costs	233	207
Benefit payments	-336	-369
Exchange rate differences	-	1
Actuarial (gains) / losses from changes in financial assumptions	887	370
DBO at the end of the period	**11,681**	**10,854**

The principal actuarial assumptions used were as follows:

	Dec. 31,2016	Dec.31, 2015
Discount rate	1.76%	2.90%
Salary increase	0% - 5% p.a.	0% - 5% p.a.
Pension increase	0% - 2% p.a.	0% - 2% p.a.
Expected return on plan assets	0% - 4% p.a.	0% - 4% p.a.
Fluctuation	0% - 4% p.a.	0% - 4% p.a.
Mortality	Heubeck2005G	Heubeck2005G

The expected contributions for 2017 are follows:

KEUR	
Service costs	18
Interest costs	192
Total	**211**

The maturity of the defined benefit obligation is follows:

KEUR	
2017	502
2018	365
2019	350
2020	373
2021	429
2022	414
2023	406
2024	412
2025	477
2026	441

Plan assets consist of liability insurances from the participants which are pledged to the participants. The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the discount rate by 0.5% as well as a mortality of +1 year.

KEUR	Dec. 31, 2016
Impact on DBO of 0.5% discount rate increase	-900
Impact on DBO of 0.5% discount rate decrease	1,040
Impact on DBO of mortality + 1 year	443

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the consolidated balance sheet.

6.12 Other provisions

KEUR	Dec. 31, 2016	
	current	non-current
Payable to employees	-	-
Warranty provisions	2,336	169
Provisions for onerous contracts	1,700	75
Other current & non-current provisions	**4,036**	**244**

KEUR	Dec. 31, 2016	
	current	non-current
Payable to employees	-	-
Warranty provisions	2,509	128
Provisions for onerous contracts	1,582	197
Other current & non-current provisions	**4,091**	**325**

(A) Other current provisions

KEUR	Warranty provisions	Provisions for onerous contracts
At Dec. 31, 2015	**2,509**	**1,582**
Additions - other	591	214
Use	-429	-40
Reversal	-335	-56
At dec. 31, 2016	**2,336**	**1,700**

Mainly in CQLT SaarGummi Deutschland GmbH there is a current provision for onerous contacts with the customers Audi and BMW.

(B) Other non-current provisions

KEUR	Warranty provisions	Provisions for onerous contracts
At Dec. 31, 2015	**128**	**197**
Additions - other	41	-
Use	-	-80
Reversal	-	-42
At dec. 31, 2016	**169**	**75**

In general warranty provisions are covering the expected warranties from the customers. The non-current provision in the amount of KEUR 75 (2015: KEUR 197) are for the advance cancellation of the rental agreements Saar-Gummi Service GmbH.

6.13 Other non-current liabilities

KEUR	Dec. 31, 2016	Dec.31, 2015
Government grants	10,198	6,622
Other taxes	11	303
Sundry other non-current liabilities	340	824
Other non-current liabilities	**10,549**	**7,749**

The Government grants mainly result from grants to the companies listed below:

KEUR	Dec. 31, 2016	Dec.31, 2015
SaarGummi (Chongqing) Sealing System Co.,ltd	7,248	3,215
SaarGummi (Yingkou) Sealing System Co.Ltd.	1,579	1,791
SaarGummi Slovakia s.r.o.	684	802
SaarGummi Czech s.r.o.	654	764
SaarGummi Iberica S.A.	33	50
Total non-current Government grants	**10,198**	**6,622**

The government grants are used for equipment, R&D Centre, city facilities, logistic allowances or land cost paybacks. All government grants have been granted between 2011 and 2016.

6.14 Trade and other payables

KEUR	Dec. 31, 2016	Dec.31, 2015
Trade payables	62,212	44,871
Liabilities to employees and employee organisations	7,862	-
Debtors with credit balances	6,697	3,973
Liabilities against former group companies	4,285	12,304
Liabilities from restructuring	3,663	1,533
VAT Liabilities	2,696	2,640
Other tax liabilities	1,904	4,172
Liabilities from social security	1,892	1,813
Prepayments from customers	1,511	252
Gross amount due to customers for contract work	1,437	2,158
Government grants	778	270
Liabilities for missing supplier invoices short term	106	1,796
Sundry other payables	96	3,036
Trade and other payables	**95,139**	**78,820**

7. Disclosures on leases

The Group leases production and other equipment under finance lease agreements. The net carrying amount of leased assets recognised under plant and machinery is amounting to KEUR 5,069 (2015: KEUR 3,109).

KEUR	Dec. 31, 2016	Dec.31, 2015
Due within one year		
Future minimum lease payments	1,397	720
Interest	-152	-54
Present value of minimum lease payments	**1,245**	**666**
Due between 1 and 5 years		
Future minimum lease payments	3,621	2,220
Interest	-301	-161
Present value of minimum lease payments	**3,320**	**2,059**
Due later than 5 years		
Future minimum lease payments	-	253
Interest	-	14
Present value of minimum lease payments	**-**	**267**
Total		
Future minimum lease payments	5,018	3,193
Interest	-453	-201
Present value of minimum lease payments	**4,565**	**2,992**

The Group leases factory and office facilities as well as cars and office equipment under operating leases. Payments amounting to KEUR 7,112 (2015: KEUR 6,711) were recognised as an expense in the income statement in respect of operating leases.

Future minimum lease payments under non-cancellable operating leasing contracts are as follows:

KEUR	Dec. 31, 2016	Dec.31, 2015
Future minimum lease payments		
Due within 1 year	4,844	2,766
Due between 1 and 5 years	7,918	4,784
Due later than 5 years	5,709	60
Total	**18,471**	**7,610**

8. Additional disclosures on financial instruments

The carrying amounts, recognised and fair values by measurement category of financial instruments as of the balance sheet dates are as follows:

Dec. 31, 2016	Carrying amount					Fair value		
Keur	Loans and receivables	Available for sale	Held for trading	Other financial liabilities	Total	Level 1	Level 2	Total
Financial assets not measured at fair value								
Trade and other receivables	98,910	-	-	-	96,910	-	98,910	98,910
Other financial assets	754	2,734	-	-	3,488	-	754	754
Cash and cash equivalents	36,371	-	-	-	36,371	-	36,371	36,371
Financial assets measured at fair value								
Derivative financial assets	-	-	149	-	149		149	149
Financial liabilities not measured at fair value								
Bank and similiar loans	-	-	-	191,106	191,106	-	191,106	191,106
Shareholder loan	-	-	-	2,715	2,715	-	2,715	2,715
Obligations under finance leases	-	-	-	4,565	4,565	-	4,565	4,565
Other loans	-	-	-	3,172	3,172	-	3,172	3,172
Trade and other payables	-	-	-	78,390	78,390	-	78,390	78,390
Financial liabilities measured at fair value								
Derivative financial liabilities			870		870		870	870

Dec. 31, 2015	Carrying amount					Fair value		
Keur	Loans and receivables	Available for sale	Held for trading	Other financial liabilities	Total	Level 1	Level 2	Total
Financial assets not measured at fair value								
Trade and other receivables	90,219	-	-	-	90,219	-	90,219	90,219
Other financial assets	489	2,834	-	-	3,323	-	489	489
Cash and cash equivalents	32,302	-	-	-	32,302	-	32,302	32,302
Financial assets measured at fair value								
Derivative financial assets	-	-	124	-	124	124	-	124
Financial liabilities not measured at fair value								
Bank and similiar loans	-	-	-	172,538	172,538	-	172,538	172,538
Shareholder loan	-	-	-	17,997	17,997	-	17,997	17,997
Obligations under finance leases	-	-	-	2,992	2,992	-	2,992	2,992
Other loans	-	-	-	2,768	2,768	-	2,768	2,768
Trade and other payables	-	-	-	67,875	67,875	-	67,875	67,875

The carrying amounts, amounts recognised and fair values by measurement category of financial instruments as of the balance sheet dates are as follows:
Derivative financial assets (and liabilities) comprise only currency forwards (2015: Currency options).

For financial instruments with current maturities including cash and cash equivalents, accounts receivable and payable as well as other receivables and payables it is assumed that their carrying amounts approximate their fair values.

The fair values of non-current financial instruments are calculated as the present values of the estimated future cash flows using market interest rates for discounting.

The fair values of non-current financial liabilities with variable interest rates are estimated to be equal to their carrying amounts since the interest rates agreed and those available on the market do not significantly differ.

Net gains (or losses) on financial instruments are displayed in the table below.

Net gains or net losses on	2016	2015
Financial assets/liabilities measured at fair value	-842	5
Available for Sale finanicial assets	163	172
Loans and receivables	-248	-567
Financial liabilities measured at amortised cost	-5,462	-5,477
Total	**-6,389**	**-5,867**

9. Contingent liabilities

As of the balance sheet date no contingent liabilities exist.

10. Related party transactions

According to IAS 24 related parties are composed of those companies and persons that possess the ability directly or indirectly to control the other party or to exercise significant influence or joint control over the other party. All related party transactions have been carried out on arm's length basis.

(A) Parent company and ultimate controlling party

The parent company of CQLT International Investment Company Ltd. is Chongqing Light Industry and Textile Holding Group Co., Ltd. Chongqing Light Industry and Textile Holding Group Co., Ltd. is listed in the commercial register of Chongqing, People's Republic of China under 51000001805149. The major shareholder of Chongqing Light Industry and Textile Holding Group Co., Ltd. is State Asset Management Commission, Chongqing, China.

The Group has borrowing agreements with Chongqing Light Industry and Textile Holding Group Co., Ltd. which lead to outstanding liabilities as of the balance sheet date of KEUR 2,715 (2015: KEUR 17,997) liabilities. The borrowings from Chongqing Light Industry and Textile Holding Group Co., Ltd. are not bearing specified repayment dates nor interest.

Chongqing Light Industry & Textile Holding Company Ltd. provided a comfort letter to CQLT International Investment Company Ltd., Chongqing. Content of the comfort letter is that the shareholder provides sufficient amounts of guarantee or repayment obligations of KUSD 110 loan from Industrial and Commercial Bank China and Shanghai Pudong Development Bank to satisfy all present and future liabilities when due. The comfort letter will be terminated on December 31, 2018 and can be terminated with a period of one year to the end of the fiscal year of CQLT International Investment Company Ltd., Chongqing.

(B) Associates

In 2016 the Group purchased no goods from associated companies (2015: KEUR 0).

(C) Other related parties

The Group were granted loans from owners of non-controlling interest amounting to KEUR 756 (2015: KEUR 751). Interest is charged at up to 12% p.a. (2015: up to 12%). Interest was KEUR 82 (2015: KEUR 85). The Group purchased goods from owners of non-controlling interest amounting to KEUR 5,787 (2015: KEUR 7,389). Sales are amounting to KEUR 401 (2015: KEUR 483). Receivables against those related parties are amounting to KEUR 2 (2015: KEUR 287) and payables are amounting to KEUR 828 (2015: KEUR 1,520).

(D) Key management personnel

Key management personnel consist of the board of directors and the executive committee. The expenses for current compensation of key management personnel were KEUR 1,704 (2015: KEUR 2,441). There is an open balance payable of KEUR 396 (2015: KEUR 348) as of December 31, 2016. Post-employment benefits are amounting to KEUR 0 (2015: KEUR 0).

11. Auditor's fees and services

The following table provides a breakdown of professional fees recognised as expenses for the Group auditor:

KEUR	2016
Auditing services	712
Financial restructuring services	196
Auditor's fees	**909**

12. Events after the balance sheet date

No further events occurred between December 31, 2016 and March 16, 2017 that would require adjustments to the amounts recognised in these consolidated financial statements or would need to be disclosed under this heading.

Chongqing, March 16, 2017

Yingming Xie
Executive Director

Wei Shi
Legal Representive/Vice General Manager

Group Management report (unaudited)

Unaudited Group Management Report
1. Information on the Group of companies

The CQLT SaarGummi Group, also referred to as the "Group" is a rubber processing company, a development partner and a 1st-tier supplier for the automotive industry present in Europe, Asia, North and South America. The parent company of CQLT International Investment Company Ltd. is the Chongqing Light Industry and Textile Holding Group Co., Ltd. hereinafter also to be referred to as the "Shareholder" or "CQLT".

The product range consists predominantly of the development and manufacture of light and heavy vehicle body seals and weather-strips, and the engineering and production of the attendant production tooling. Besides this, the CQLT SaarGummi Group also produces moulded goods and other rubber articles that are used in industry applications for hydraulics and safety technologies, as well as soles for shoe manufacturers. The product range is completed with the supply of sealing systems for windows, facades and roofs used in the construction of buildings.

The automotive market accepts the CQLT SaarGummi Group as the innovation leader in the segment of vehicle body seals for both product and process. In order to maintain this innovation leadership for the future, the CQLT SaarGummi Group will continue to invest considerable amounts of funds in the development of new technologies, as well as product and process designs. This is also necessary to facilitate an increasing market share among the sealing suppliers considering the challenging requirements and expectations of the global automotive industry and its customers. In order to facilitate the successful launch of such new products in the upcoming years the Groups product launches will be realized in close cooperation with CQLT SaarGummi Groups customers and suppliers. The post-insolvency created „Going Global" strategy of the Group has been continued with the intensive help and support of its shareholder acting as a strategic investor.

As a result of a very diligently conducted implementation the CQLT SaarGummi Group has clearly underlined its capability and willingness to become one of the TOP 3 sealing suppliers worldwide. Especially the activities in the Chinese and North American market reflected in the implementation of local Centres of Competence combined with the localisation of technical support centres for the core OEM's are already delivering long-term benefits for the entire Group. The Group covers the entire value chain from blending the raw materials to rubber compounds globally.

In order to further focus the business units within CQLT SaarGummi Group onto a dedicated strategy process organization was split into 4 functional elements:

CQLT SaarGummi Group functions such as quality and corporate governance, finance, etc.

CQLT-SaarGummi Automotive as the core production business to manufacture the developed products across the globe.

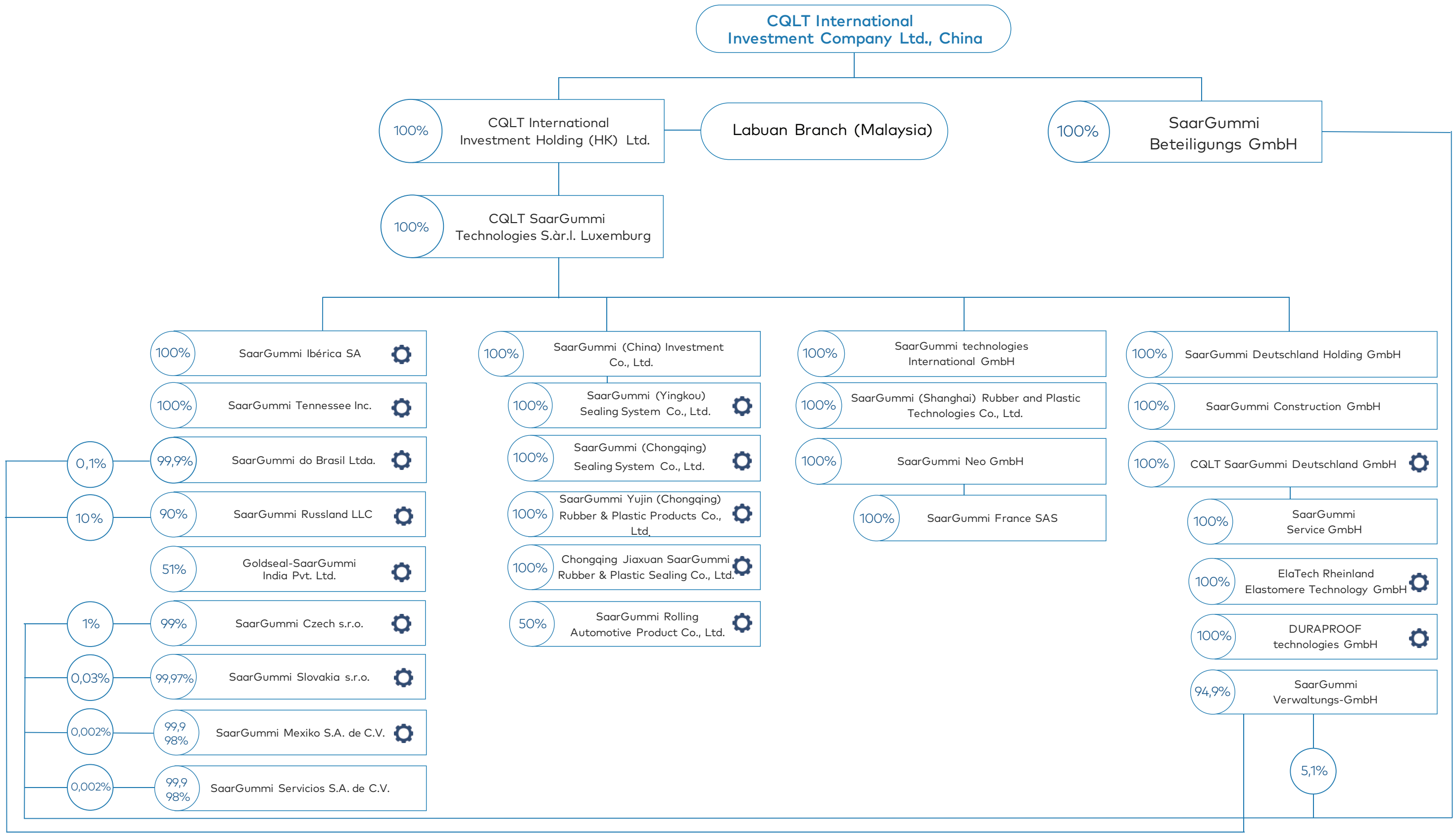
CQLT-SaarGummi Construction as the non-automotive business unit with Duraproof as the core manufacturing company.

CQLT-SaarGummi NEO as a new founded element with the main tasks:

Forward integration of customer requested design work, product development, process solutions and communication interfaces and the build-up of a network with universities, interdisciplinary organizations and other talents to enhance the Groups scope of competence.
This functional set-up of the CQLT SaarGummi Group is fulfilling the key pre-requisites to enable future profitable growth and to continue CQLT SaarGummi Group`s market position as the innovation leader in the automotive sealing market.

The execution of the organic growth strategy has driven the opening of a production plant in Mexico, Tech Centre in Shanghai and in France in 2016. The Group passed through a financial optimisation program during the last years, by which the CQLT International Management (HK) Ltd. merged into the CQLT International Investment Holding (HK) Ltd. in reporting year.

The organization's structure as of 31.12.2016 is illustrated below:

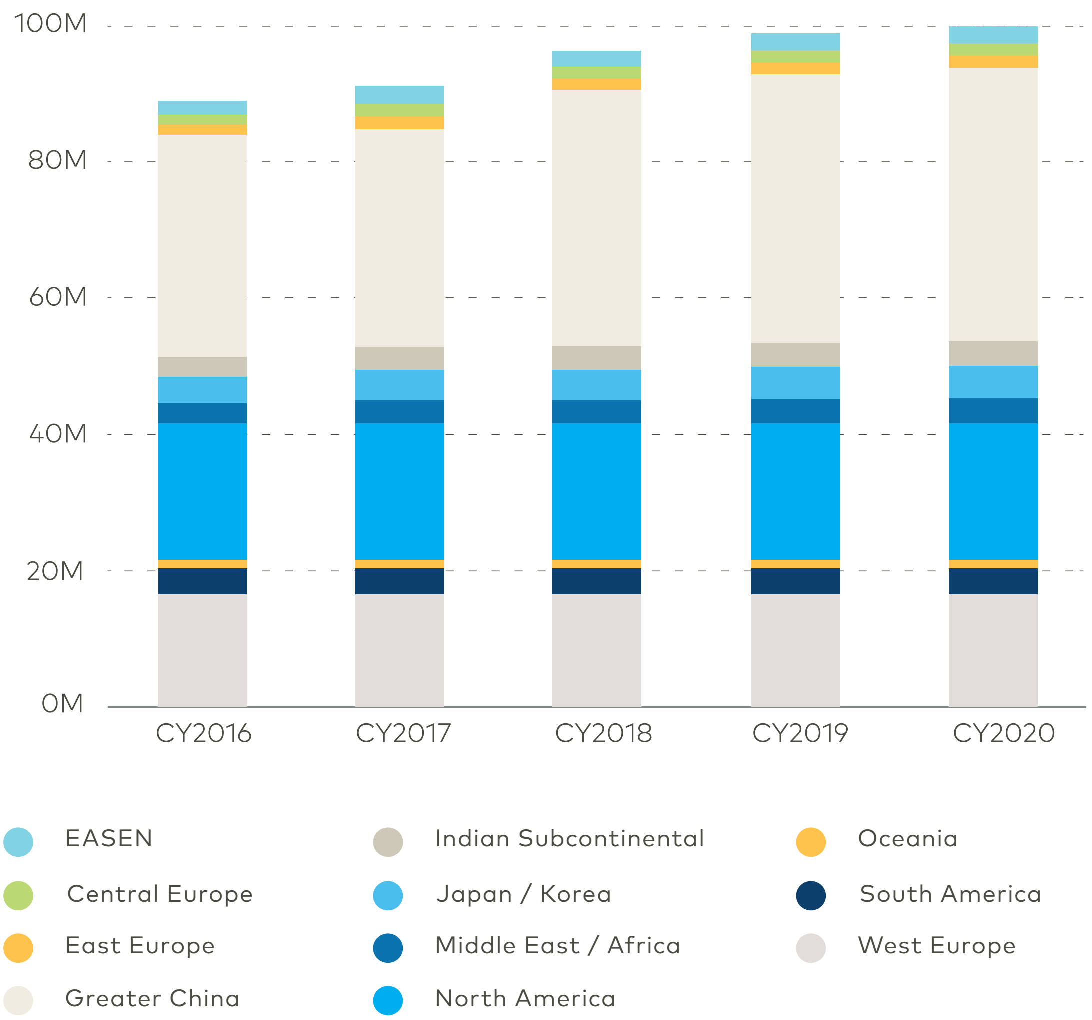


2. Industry development and economic framework conditions in 2016

2.1 Global

In 2016 the global production posted 92.68 million units, up by a further 4.4% above full-year 2015, while global sales for full-year 2016 is set at 91.77 million units, up 4.2%. The mature markets like Europe and North America performed again well throughout the year while the main emerging markets are still subdued and in recovery mode or even still further contracting like in South America. Western European demand is up over 6% for 2016. The North American Markets slightly improved by 1.45% coming from high levels in 2015. China's automotive demand was up by more than 12%. The Russian situation remained difficult. The market dropped by another 11% in 2016 after 2015 plummet of 35%. South American demand is down by almost 12% after 18% the year before. Again Brazil had the main share in the region with 20% year on year, which nearly cut sales in half in 2 years. India delivered a solid growth of 8% year on year, while the Association of Southeast Asian Nations (ASEAN) market stabilized at small growth rate of 0.4%.

In the Near East it is worth pointing out that the Iranian market has experienced a boost of 23% growth in 2016. Overall the global trend from sedans to SUVs has continued as the SUV sales increased by 9.5% whereas sedan and other traditional passenger car concepts dropped by 1% compared to 2015.

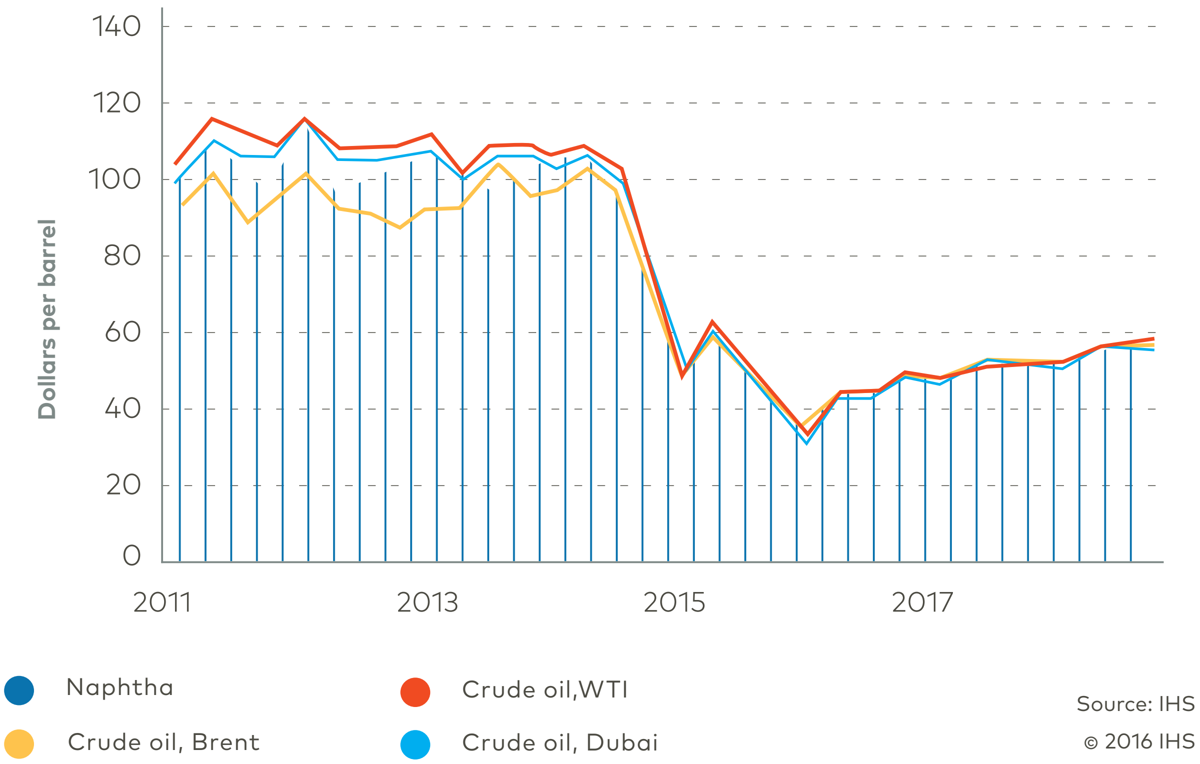


For 2017 a global production of 93,5 million units is forecasted. Within the next 5 years the global light vehicle sales are expected to surpass 100 million units, latest by 2021.

Commodities

The recent price rally in commodity markets does not substantially alter the near-term outlook. Indeed, prices appear to have run ahead of fundamentals and are exposed to a correction immediately ahead. Looking to the second half of 2017 and 2018, prices are expected to rise modestly on a slow improvement in global growth.

Oil and naphtha prices

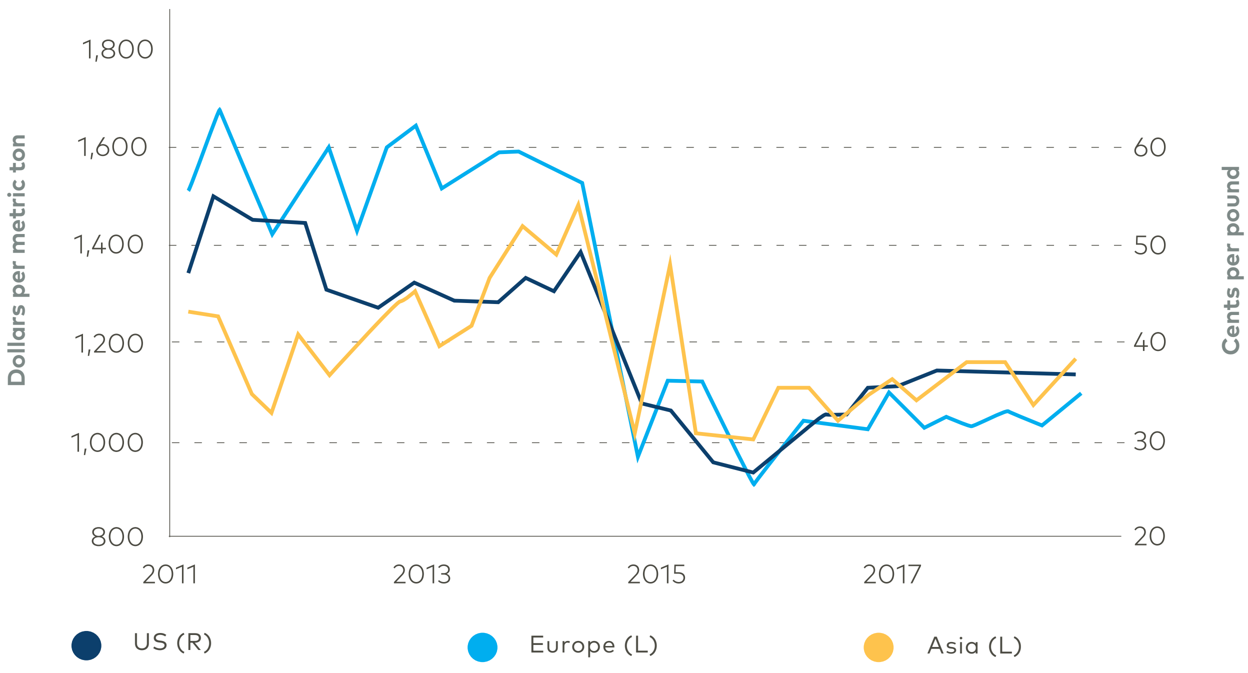


Brent Oil

After OPEC reached a supply agreement on 30 November, oil prices climbed to their highest levels since July 2015. Brent is currently trading near $54/barrel. Although there will likely be the usual volatility, both Brent and West Texas Intermediate prices should remain above $50/barrel into next year. The six-month agreement takes effect in January, with OPEC agreeing to cut its production by 1.2 million barrels per day (b/d) from October estimates. Over half of this reduction (756,000 b/d) will come from Saudi Arabia, Kuwait, and the UAE, who we expect will adhere to their limits, at least initially.

Although OPEC announced an understanding with key non-OPEC countries for an additional 600,000 b/d of output cuts, it is not apparent which countries other than Russia will participate. Russia's energy minister announced a reduction of 300,000 b/d from levels achieved in November and December. The price of Brent is now projected to increase from $44/barrel in 2016 to $54/barrel in 2017 and $57/barrel in 2018.

Regional ethylene prices



Source: IHS © 2016 IHS

Ethylene

The November North American Net Transaction Contract price settled at 30.25 cents per pound (cpp), a large decrease of 5.25 cpp from October. Nevertheless, look for prices to tick up next quarter, driven by increasing feedstock costs from the strong rise in natural gas prices.
The European ethylene contract price for December fell €30/metric ton to €940/metric ton on a combination of lower production costs, rising supplies, and soft demand.
Price movements as a whole are expected to be relatively tame for 2017, although the early spring turnaround season should induce a noticeable rise in prices on a temporary basis for the second quarter.
Asian ethylene prices are declining this quarter, as weakness in derivative demand continues to dominate fundamental market sentiment. Furthermore, supply of ethylene in Asia is increasing, as crackers return to production from their early fall maintenances. This, together with the continued availability of cargoes from the Middle East and Americas, has buyers expecting the supply situation to continue moving into a longer position as the year closes out.

2.2 Europe

Sales 2016

In full-year 2016, light vehicle sales scored 19.76 million units, compared with 2015 18.89 million units this reflects an increase of 4.6%. Western European countries saw registrations increase of 6% year on year to 15.8 million units. Western European market has and is still benefiting from a natural recovery: sales keep catching up for the losses registered during the long crisis (otherwise, the registered vehicle parc would get too old). Pent-up demand has been releasing in most countries, admittedly at a faster rate than expected. This was mostly illustrated by a strong recovery in corporate/business demand. Private demand has been more heterogeneous. It has been booming in markets where renewal needs were particularly acute, essentially in Southern Europe. However, even there the last few months have been displaying signs of a relative slowdown. Elsewhere, private buyers were far less enthusiastic. In France, individual buyers are even at an all-time low as far as their share is concerned (below 50% of the total market). In the United Kingdom, these have been the main drivers of growth for the past three years but have been clearly stepping down in 2016. Interestingly, Germany has been posting much more favorable signs in that respect lately. To complete the picture, it must also be noted that manufacturers have been quite liberal in their tactical sales practices so far in the year (those volumes that they are able to generate, rather artificially, through incremental sales to rental companies, their dealers, or under their own name). In many countries, such practices have not receded that much in 2016. Meanwhile, sales in Eastern Europe declined again by 7.7% year on year. All major markets in Eastern Europe registered heavy losses, including Russia, down another 11% year on year. In 2 years the Russian market almost dropped by 50%. The region is still largely engulfed in the Russian crisis, which is partially rooted in geopolitics, i.e. the crisis in eastern Ukraine, but fundamentally linked to the country's unbalanced economy and its overdependence on oil and gas resources. After a rebound in 2015, Turkey returned to negative territory in the early part of 2016 and then started to come back, finally down by 5.4% year on year.

Production 2016

Within the European Union (plus Turkey) perimeter, the production reached historical highs in 2016 with more than 20 million units produced. However, 2016 shows a turning point between a pace of recovery cycle during the first part of the year, with 7% of growth, and a pace of post-recovery cycle in the second semester, with output expected to be flat compared with 2015. Among the main Western European production countries, 2016s annual growth was 8% in the United Kingdom, 6% in Spain, 6% in France, and 1% in Germany. The seasonally adjusted annual rate (SAAR) of production is now above all pre-2007 levels. Central European growth was at 7.7%.

2.3 China

Sales 2016

In 2016, total vehicle sales in China reached 28.0 million units, marking an increase of 13.7% year on year. Overall light-vehicle sales have hit 27.5 million units, up 12.3% year on year. The main pillar of the strong growth in China's vehicle market was the passenger vehicle (PV) segment, which saw sales grow 14.9% year on year to 24.377 million units in 2016. This was mainly fueled by governmental subsidies which ran out in 2016. Noteworthy, within the PV segment, sales of sport utility vehicles (SUVs) rose 44.6% year on year to 9.047 million units, while sedan sales hit 12.15 million units, up only 3.44% year on year, and multipurpose vehicle (MPV) sales were 2.49 million units, up 18.38% year on year. However, cross-type vehicles, which are basically minibuses, witnessed a 37.8% year on year sales decline to 683,500 units in 2016.

Production 2016

The total vehicle production in China last year surpassed the 28m mark with 28.1m units, an increase of 14.5% year on year. Total PV production in China last year reached 24.42 million units, up 15.5% year on year. The SUV market continued to boom, outperforming previous expectations and surging 42% year on year, in part owing to increased demand for further market segmentation (e.g., small SUVs, seven-seater SUVs, coupé-style SUVs) coming from diversified requirements and new lower-emission model launches. Exports in 2016 should be flat, dampened by the protracted economic downturn in overseas target markets such as Brazil and Russia. No doubt, local Chinese OEMs continued to achieve significant success and are the biggest winners thus far in 2016, up 13% year on year YTD through September. They will sustain above-average growth in passenger cars in the short term and dominate the SUV segment with growth of 36% year on year in 2016. Global OEMs jumped 10% year on year through September 2016, mainly lifted by 25% year on year growth in third-quarter 2016. Leading the market, European OEMs recovered in the third quarter thanks to a big bounce in sedans (up 39%), as well as stable SUV (19%) and hatchback growth (17%).

Economics 2016

Economic activities rebounded moderately in mid last year, but evidence of a sustainable situation of stable growth remained scarce. Industrial production rose around 6% year on year. It is widely expected to see China's growth to slow further in 2017, but the slowdown will not be precipitous. The continued digestion of industrial-sector excess capacity, a glut of housing inventory, and a debt bubble will further pressure China's domestic demand in 2017. However, the macro economic transition into tertiary sectors like financial services and other non-manufacturing related industries is not yet at a consistent self-induced level.

2.4 North America

Sales 2016

Overall, regional light vehicle demand growth is up 1.5% through 2016 and has reached a level of 21 million sales. Thus far, regional growth has been spurred by the continuing demand momentum in Mexico. Mexican demand led the region in 2016 by a growth of 18.3%, while Canadian sales improved 2.2% and US demand stayed flat at 0.1%.
Overall, light vehicle sales in North America have grown steadily since 2009, recovering more than 8 million units through 2015. While the year on year growth rates are expected to moderate, it is projected the region's light vehicle demand momentum to continue through 2017.

Production 2016

North American production in 2016 increased to 17.85 million units. With North American production having achieved record levels again in 2016, the lower-growth environment points to increasing competition, with intensifying pressure to not only maintain but also grow share. Increasing incentives and inventory levels in addition to growing subprime lending and extended terms all point to the industry reaching its peak.

2.5 South America

Sales 2016

Demand contracted 18% in 2015 to 4.38 million units, resulting in volumes not seen since 2007. For 2016 the sales volume went further south to a level of 3.85m units. South America has been highly diminished by the weakening of commodity prices, high inflation, and to some extent, politics weighing down on consumer confidence in a few countries. As a result, demand fell by nearly 970,000 units compared with 2014. The total sales volume for the sub-continent decreased another 11.7% in 2016. Brazil accounts for more than 90% of the 2016 volume loss in the region with more than 20% market contraction. The bleak outlook for 2016 proved right resulting in demand slump to 1.98 million units.

Production 2016

The full-year figure for Brazil is around 2 million light vehicles, down 9.8% from 2015. The full-year 2016 forecast for Argentina is 488,000 units, or an 8.3% drop from 2015. Exports to Brazil are a key component to industry activity, and we do not expect a significant change in the short term.

2.6 India

Sales 2016

Indian light vehicle sales repeated a year of strong growth with a solid 8% year on year resulting in a total of 3.4 million units. This is almost the size of the German market in 2016 and indicates the growth potential given the population and current car density. Growth in the third quarter of 2016 jumped to 17.0% compared with growth of 7.0% and 3.3% in the second and first quarters, respectively. The jump in growth in the third quarter was primarily due to the removal of the ban on diesel cars in Delhis National Capital Region (NCR), which provided an opportunity for OEMs with a diesel portfolio to push cars in Delhi-NCR. Markets have picked up pace in the third quarter, but the slower and single-digit growth in 2016 stems from lower business sentiment, primarily due to the government's inability to pass key reforms such as the goods and service tax (GST) and land acquisition bills, thus pushing them to 2017. Retail banks' stall in cutting rates further delayed the investment cycle.

Production 2016

Ford inaugurated its second plant at Sanand in India in 2015. Renault-Nissan and Hyundai already use their manufacturing plants in India for exporting to Europe and other markets. However, the Modi government's “Make in India” plan is

encouraging automotive manufacturers to add production in the country for export markets. The significance can be judged by the expectation for Ford to export the EcoSport to its home country, the United States, from India in the long term. In 2015, the Society of Indian Automobile Manufacturers (SIAM) launched a new road map for the Indian automotive industry for the next decade, the automotive mission plan (AMP) 2016–26.
As per the AMP 2006–16, the Indian automotive industry contributed 7.1% of GDP and fell short of its original target of 10.0% of GDP. The special tax benefit available to small cars—shorter than 4.0 meters and with engines smaller than 1.2L (gasoline) and 1.5L (diesel)—has turned India into a small-car market. The A- and B-segments now represent approximately 74% of the passenger vehicle market, and that trend is likely to continue.

3. Business development

In 2016 the positive development of the multi-year restructuring program could have been successfully continued for the third consecutive year with a strong increase in both revenue and profit. A very dynamic year of growth in all regions could have been turned into very profitable growth. However, the newly established plants in China and Mexico as well as the existing US plant had experienced significant launch and learning cost while ramping up the production for new customers and more complex products. Those effects need to be reduced in the coming year.

Historical performance overview (before unrealized foreign exchange effects and extraordinary items) is as:

KEUR	2013	2014	2015	2016
Sales	381,630	414,024	464,008	522,502
Adj. EBIT	-10,705	10,014	11,303	16,614

The adjusted EBIT does not include the unrealized foreign exchange gains and losses and the fair value measurement of currency derivatives which total KEUR -77.

The implementation of CQLT SaarGummi Group's global growth strategy is successful. With its emphasis on strong expansion in Asia and North America while consolidating market share and taking highly profitable opportunities in Europe the direction is clear and now the critical realization phase has commenced. To meet the customers` expectations of footprint the opening of the new plants for finished goods in Queretaro (Mexico) and in Yingkou (China) was the right decision. It is now key to turn the start-up situations into profitable entities with the desired pay back of the investments taken.
In order to increase regional margins and footprint the manufacturing of compounds was extended by a new mixing plant in Hechuan near Chongqing. This facility has achieved production readiness in the second half of 2016 and will contribute to Chinese compound supply in the years to come. The newly erected buildings include space for manufacturing finished goods as well. A staggered relocation of the old manufacturing site in Chongqing has been kicked off in 2016. The transformation of an old production plant into a modern facility will entice more customers and deliver a higher productivity and overall performance.
Looking at the region of Americas, the development and investment into our locations continued. The capacity increase in the existing plant in the USA in Nashville, Tennessee was completed. The set-up of a new CQLT SaarGummi Group production facility in Mexico, Querétaro was

achieved by renting 2 production halls which are being adjusted to the manufacturing needs. Both investments will host key projects in the coming years and are substantial contributors to the Group`s profitable growth.

Brazil`s and Russia`s macroeconomic downturn has been enduring in 2016. The Group`s rigid restructuring in Russia led to a positive result in 2016 and the outlook is promising. In Brazil the further downsizing of CQLT SaarGummi Group`s plant was conducted and the losses impact could be minimized. However, a strategic decision needs to be taken in 2017 for this rather remote location where market outlooks do not foresee a recovery in the years to come.

The supplier structure of the CQLT SaarGummi Group has also shown little impact in 2016. Raw materials were characterized by economic driven price reductions but different regional economic frame conditions. The shutdown of special oil grades refineries continued, the impact was not significant in 2016. However, the capacity adjustment of Carbon Black production plants in Europe has led to significant price increases since 2nd half of 2016.

In comparison to the previous year´s values, the key performance indicators used by the management of CQLT SaarGummi Group for internal corporate control, i.e. Sales revenue, EBITDA and EBT, have developed in 2016 as follows:

KEUR	Actual 2016	Budget 2016	Variance Act. To Bud.
Sales revenue	522,502	513,972	8,530
EBITDA	49,551	51,622	-2,071
EBT	16,537	12,080	4,457

The budgeted sales revenue was exceeded, because of mainly higher tooling sales.

The actual EBITDA for 2016 is slightly lower as the budget. Due to a high number of new product launches and the establishment of the new plants the EBITDA is 4% under the planning.

Overall in 2016 CQLT SaarGummi Group has exceeded the budget significantly which is due to the above budget sales, lower depreciations and lower interest rates. The lower depreciation is mainly the consequence of the impairments in 2015.

The most important data from the annual financial statement for the period 01.01.2016 – 31.12.2016 are shown below.

KEUR	Dec. 31, 2016	Dec. 31, 2015
Sales revenue	522,502	464,008
Earnings before interest and tax	21,796	12,803

The previous year's figures are also included for comparison.
The earnings before interest and taxes were largely characterized by the following factors during the 2016 financial year:

- Increase of sales revenue in comparison to 2015
- Continuous improvement projects implementation
- Impairment Brazil in 2015

Profit situation in the consolidated income statement

KEUR	Jan. 01 - Dec. 31, 2016	Jan. 01 - Dec. 31, 2015
Sales revenue	522,502	464,008
y-o-y Growth	12,6%	12,1%
Change in inventories	6,706	2,718
Other own work capitalised	9,266	6,357
Factory output	538,474	473,083
Material costs	-289,506	-256,378
Gross profit	248,968	216,705
Margin	47,7%	46,7%
Other income	14,148	24,648
Gross performance	263,116	241,353
Personnel costs	-139,370	-120,913
Other operating expenses	-74,195	-74,367
EBITDA	**49,551**	**46,073**
Margin	9,5%	9,9%
Depreciation and amortisation	-27,755	-33,270
EBIT	**21,796**	**12,803**
Financial result	-5,259	-5,097
EBT	**16,537**	**7,706**
Income taxes	-7208	-544
Net result for the period	**9,329**	**7,162**

3.1 Development of sales:

The Group's sales revenue for the 2016 financial year amounted to KEUR 522,502 resp. 12.6% higher than in 2015. The European Region is still the biggest market for the CQLT SaarGummi Group and was performing best in terms of growth in 2016. The further expansion in the Asian region was evident with a growth rate of 4%, mainly driven by greater demand of the Chinese OEMs.

CQLT SaarGummi Group companies in Americas also followed the trend to solid growth compared to the last year. Another key factor which contributed to the positive development of the Group was the global growth rates of the Premium OEMs. The realization of new customers business for the Group such as Tesla and PSA enhances the portfolio of the Group and supports the growth in all regions.

Total sales for 2016 were distributed as follows:

KEUR	492,081	Automotive
KEUR	30,421	Non-automotive

3.2 Development of the gross profit:

The absolute gross profit was higher than in the previous year. This number was mainly driven by higher sales.

3.3 Other income:

The other income for the period 01.01. – 31.12.2016 can be broken down as follows:

KEUR	Jan. 01 - Dec. 31, 2016	Jan. 01 - Dec. 31, 2015
Foreign exchange rate gains	6,698	17,136
Grants received	490	650
Income from the sale of intangible assets and property, plant and equipment	50	1,623
Income from release of other reserves	2,322	382
Income from insured loss	1,226	864
Income from currency derivatives	149	0
Other income	3,064	5,239
Total	13,999	24,648

The other income resulted to KEUR 13,999 in the 2016 financial year. This is for the greatest part provided by income from unrealized exchange rate gains and income from the release of other reserves mainly in China.

3.4 Personnel costs:

KEUR	Jan. 01 - Dec. 31, 2016	Jan. 01 - Dec. 31, 2015
	-139,370	-120,913

At 26% of sales revenue, personnel cost ratio showed a 0.7% increase compared to the previous year. The main reason for the increase is the growth of the CQLT SaarGummi Group and therefore additional start-up cost for new projects and training of new staff.

The other operating expenses break down as follows:

KEUR	Jan. 01 - Dec. 31, 2016	Jan. 01 - Dec. 31, 2015
External services	-25,310	-22,178
Foreign exchange rate losses	-5,947	-15,612
Sales cost	-12,877	-11,355
Operating leasing expenses	-7,112	-6,711
Travel and entertainment costs	-7,408	-6,114
Other administration costs	-5,174	-4,657
Voluntary social benefits/grants	-3,215	-2,452
Insurance premiums	-2,574	-2,132
Expenses from currency derivatives	-992	0
Others	-3,586	-3,156
Total	**-74,195**	**-74,367**

The other operating expenses are generated by external services and sales costs. The effects of the currency risks in the Group, including the derivatives, could be reduced to a small loss, through the implemented hedging strategy. The external services increased by 14 % mainly due to the current challenges of the set-up for the new plants as well as higher maintenance cost, because of the higher capacity utilization due to the higher revenues. Also travel fees increased, because of the expansion of the CQLT SaarGummi Group's global footprint.

3.5 Depreciation and amortisation:

The depreciation/amortisation in the financial year 2016 is KEUR 27,756.The main reason for the lower value compared to the previous year is the one-off effect from the impairment in Brazil in 2015.

3.6 Earnings before interest and tax:

As a result of the multi-year restructuring program, another significant increase in the EBIT was achieved in 2016, following the two previous years. For 2016, the EBIT is KEUR 21,796. Thus, the positive turnaround was substantiated with a third consecutive positive annual result.

3.7 Financial result:

At KEUR -5,259 (2015 KEUR -5,097) the financial result suffered slightly from a decrease of interest income for short term deposits caused by higher investment activities and from the company SaarGummi Rolling Automotive Product Co., Ltd. which is consolidated at equity.
The balance sheet for the CQLT SaarGummi Group breaks down as follows:

KEUR	Jan. 01 - Dec. 31, 2016	Jan. 01 - Dec. 31, 2015
Assets		
Non-current assets	260,305	226,854

The changes in the non-current assets are characterized by increases in the prepayments on constructions in process and technical assets as well as machineries, mainly related to the start-up of the new plant in Queretaro, Mexico. Due to higher taxable profits in the future it is very likely that arising tax payments could be offset by unused tax losses carried forward. Therefore, deferred tax assets were accounted for and will be carried forward as unused tax losses.

Current assets	176,331	161,027

The increase in current assets is largely attributable to higher PoC receivables which originated from a strong increase in revenue of contracted work. The cash position was increased by greater cash flow from operating activities.

Equity and liabilities		
Total equity	96,540	74,371

The equity ratio has been increased to 22% in 2016. The subscribed capital of the parent company of the group, CQLT International Investment Company Ltd., was increased from KCNY 1,000,000 (KEUR 113,234) by KCNY 100,000 (KEUR 13,429) to KNCY 1,100,000 (KEUR 126,663) in August 2016. The other changes in the equity are mainly the net profit of 2016 as well as the negative impact into the OCI, which is mainly caused by the actuarial losses.

Non-current liabilities and current liabilities	340,096	313,510

The increase in liabilities compared to the previous year, is mainly a result of the new loans for financing the growth and the increase in trade payables due to the investments in China and America.

4. Financial situation

The Group passed through a restructuring program during the last five years, by which a significant improvement of its operational and financial performance was continuously achieved. The financial position of the CQLT SaarGummi Group has been developed to its today`s robust status compared to the fragile starting point after the takeover in 2011.

4.1 Overall effect:

CQLT SaarGummi Group's business development has had another successful year of profitable growth, the third consecutive year. Whilst this was predominantly accomplished on the back of its European core business operations, the strategy to realize future growth in Asia and America was executed with continuous investment into new or existing plants in the aforementioned regions. Internal measures like the continuous improvement program as well as externally driven positive effects like low commodity prices or higher sales volumes of core customer contributed to a significant increase in both revenue and profit.

In order to satisfy the customer's expectations in product and development quality, to provide them with the ordered quantities by on time deliveries, the group invested EUR nearly 220 million since the acquisition by CQLT (value without purchase price of the Group). These funds include growth projects and continuous improvement measures. The origin of the funds were mainly equity, interest-free shareholder loans, or by CQLT backed bank loans provided. The shareholder provided a comfort letter to CQLT International Investment Company Ltd., China. Content of the comfort letter is that the shareholder provides sufficient amounts of guarantee or repayment obligations of KEUR 110,000 loan from Industrial and Commercial Bank China and Shanghai Pudong Development Bank to satisfy all present and future liabilities when due. The comfort letter will expire on 31th December 2018 and can be terminated with a period of one year to the end of the fiscal year of CQLT International Investment Company Ltd., China. This allows the group to rely on the further financial support from its shareholder.

As a result of the turnaround the group was able to cover its 2016 funding requirements through its own resources and autonomously created external funding. To optimize the management of liquidity, we have implemented a cash pool in which the bank accounts of the companies in Germany, Luxembourg, Spain and the United States are included.

The Group continuously monitors the financial situation by using a liquidity planning tool. It is the aim of the Group to maintain a balance between ongoing coverage of the need for funds and the guarantee of flexibility by the use of overdrafts, loans, finance leases and hire purchase contracts.

Beyond effective working capital and cash management, the Group mitigates liquidity risk by having undrawn credit facilities of KEUR 24,321 (2015: KEUR 25,333) available.

The statement of cash flows for the CQLT SaarGummi Group compared with the previous year are present as follows:

KEUR	Jan. 01 - Dec. 31, 2016	Jan. 01 - Dec. 31, 2015
EBT	16,537	7,706
Non-cash items	29,965	42,032
Net working capital adjustments:		
Increase in trade receivables and other assets	-11,148	-20,688
Increase/ decrease in inventories	185	-10,235
Increase/ decrease in trade and other payables	23,002	7,179
Income taxes paid	-9,054	-3,773
Net cash flows from operating activities	49,487	22,221
Income from sale of fixed assets	1,265	6,478
Acquisition of fixed assets	-56,758	-36,990
Interest and dividends received	289	384
Net cash flows from investing activities	**-55,204**	**-30,128**
Capital increase	13,429	
Borrowings and repayments of loans	11,968	-600
Finance lease	-1,150	501
Interest and Dividend paid	-5,242	-5,466
Net cash flows from financing activities	**19,005**	**-5,565**
Net change in cash and cash equivalents	**13,288**	**-13,472**
Fluctuations in cash and cash equivalents on accounts of changes in exchange rates	-1,644	1,579
Cash and cash equivalents at 01.01.2016	17,295	29,188
Cash and cash equivalents at 31.12.2016	**28,939**	**17,295**

In comparison to 2015 the net cash flow has had some significant developments:

- substantial increase in trade and other receivables as a result of increase in revenues
- higher acquisition of fixed assets as a result of capital investment activities
- additional borrowings in 2016 for the financing of the expansion of the Groups global footprint

As a globally operating company group and growing international relations, the CQLT SaarGummi Group is exposed to exchange rate risks within the framework of its global business activities. The consolidated financial statements are prepared in euro. Each Group company determines its own functional currency.

In the Group, derivative financial instruments are not concluded with speculative intentions, but to hedge risks. Therefore, when a future or options is concluded, this does not establish a risk position but a risk position resulting from other transactions of the Group is closed.

The exchange rate risk is the result of future transactions, assets and liabilities as well as net investments of foreign Group entities. The foreign currency positions of individual Group companies are managed and optimized against the functional currency of the respective Group entities. This management serves to analyze the underlying risks and to implement appropriate instruments to limit these risks. Even if the Group companies conclude their transactions in their own functional currency, some group entities are exposed to foreign currency risks that are based on planned payments not settled in the functional currency.

In order to minimize the growing exchange rate risks, a corresponding strategy has been developed that includes additional currency hedging instruments. Currently the Group minimized the foreign exchange risks with currency options, forwards and swaps as well.

4.2 Investment planning:

During the financial year 2016, EUR 37 million were invested into the Group's global footprint including new project related equipment. An amount of EUR 19 million was required for the build-up of the plants in Hechuan, China and Queretaro, Mexico. Investments for new projects amounted to app. EUR 10,5 million and further amounts were spent on the implementation of related equipment, plant infrastructure in the new plants and additional production capacity in existing plants. The investments planned for 2017 amount to EUR 56 million, a considerable part is earmarked for expanding the business in the markets of the future – China, Mexico and USA, related to plant infrastructure and ramp-up of the production as well as equipment for new customer projects.

5. Chance and Risk report

As a globally positioned Group, CQLT SaarGummi Group is exposed to all kind of risks in the course of its worldwide business activities. The opportunity and risk management at the CQLT SaarGummi Group is aimed at accepting appropriate and controllable risks, as well as their responsible handling. This means that existing risks must be identified as early as possible and that their impact must be limited in order to avoid risks to materialize and threaten the company´s existence.

The use made of opportunities and the discovery and optimization of risk positions at CQLT SaarGummi Group are based on a consistent Group-wide risk management system that forms an integral part of the company management and controlling organization. Because of this risk management and the implemented risk controlling, the continued identification, evaluation and management of risks is done on a broad information base. The early warning function required by law is ensured by the existing system and its continuing further development. An important element for the constant monitoring of economic risks is the reporting, which, besides the external data, includes detailed monthly internal reports, and consequences for the decision-makers. This includes a constant monitoring and follow-up of variances from the budget, of the feasibility of plans and of new risks.
The liquidity management and planning can be drawn of a modern and efficient IT system in the Group's controlling and reporting, with further continuous improvements added. The risk of volatilities in cash flow is controlled by the liquidity risk management strategy. To secure adequate liquidity, a liquidity reserve is maintained. Furthermore, at the balance sheet date, undrawn credit facilities are available.

In addition a group wide and fully IT supported monitoring of accounts receivables and accounts payables takes place to ensure CQLT SaarGummi Group's immediate capacity to act and to promptly take appropriate measures when necessary.

Default risks can be described as very low because of the customer structure.

Given the mounting international interdependencies, also within the shareholders organization, the Group is exposed to currency risks that require close tracking. The required tracking instruments are implemented and active. They are being continuously optimized. A strategy to mitigate the relevant risks was developed and had been subsequently implemented.

Looking at the opportunities the Group might experience, it is noteworthy that the new plant in Mexico could attract a portion of the "so-called" global souring business re-allocation. That happens if an OEM decided to resource current serial production from non-performing competitors in the market. The CQLT SaarGummi Group could benefit from such activities.

Brexit

There is no economic downturn forecasted or seen as an imminent risk. The impact of the UK leaving the EU will predominantly effect the British economy and happen over time. The separation from the EU will take at least 2 years and individual treaties will replace the integration of the UK in the EU domestic market. Formally, the exit process has to commence with an official notice under article 50 of the Lisbon Treaty. As announced this will not commence before end of Q1 in 2017.

The impacts on SG Group are very limited and neglectable.

6. Research and Development Report

For a globally engaged company whose activities are focussed on the auto parts industry, continuous and target-oriented R&D activities are important prerequisites for sustainable business success.

At CQLT SaarGummi Group, project work and R&D undertakings are distinguished as follows:

6.1 Project work

The term 'project work' is used to refer to workflows where a definitive project undertaking is worked through, usually because of a direct order placement by car manufacturers, truck manufacturers or tier 1 clients (e.g. development of a body sealing system for a specific vehicle model).
These project undertakings are as a rule financed with revenues from the customer and aimed at also being commissioned with the manufacture of the sealing system across the lifecycle at the end of the project process, in addition to the commission for the project undertaking. The project activities are therefore primarily dedicated to ensuring an adequate utilization of the company's own production plants. The performance of project work and development of body sealing systems as a service provider without a planned later acquisition of the serial production of the products only occurs in isolated cases.

CQLT SaarGummi Group has regional technology centres (TechCenter) in Europe, the USA and Asia, where this project work is carried out.

For a globally engaged company whose activities are focused on the automotive supplier tier one industry, continuous and target-oriented R&D activities are important prerequisites for sustainable business success.

6.2 Research and development

Research and development have always been accorded central importance at CQLT SaarGummi Group, right from the beginning. Our research anticipates trends, customer wishes and requirements for the body sealing systems of the future, which are then consistently translated into products that are ready for serial production by the development department.
It is our aim to provide our clients with a tangible added value, as well as tailor-made and needs-oriented solutions for the vehicle generations of the future where body sealing systems are concerned.
Our portfolio of technologies and our core competences are geared to this objective.

The term 'research and development' is used to refer to workflows where a definitive research project is processed (i.e. the description of a body seal with a unique additional benefit that does not yet exist today), usually without a direct commission to do so from a car manufacturer, truck manufacturer or tier 1 supplier. Research projects are not planned and executed with a specific vehicle model or car manufacturer in mind, but overarchingly for all clients and vehicle models. Research projects are not normally funded by customer revenues, but by the Grou itself.

The research activities in 2016 were focused on the development of new sealing systems which are not available in the market today. A second main area of activities was supplementing existing sealing systems with additional functions. Both areas of focus largely contributed to safeguard and consolidate CQLT-SaarGummi Group's market leadership concerning innovative sealing solutions.

As part of the TechCenter, CQLT SaarGummi Group operates three development centres in Germany, China and India, respectively, and a specialised research centre in Germany.
This research centre is called SaarGummi-NEO (New Entrepreneur Organization) and intensively networked with external research centre, colleges of technology and polytechnic universities.

Up to the key date of 31/12, 2016 has seen development efforts equalling 84,900 working hours in total, with external service providers called in to cover peak demands (up to the previous year's key date of Dec. 31st 2015: 74,500 staff working hours)

Investments in development

	2014	2015	2016
Working hours	72,400	74,500	84,900

Up to the key date of Dec. 31st, 2016 has seen research efforts equalling a total annual budget of € 1,652,000 and requiring 14,700 working hours in total, with external service providers called in to cover peak demands (up to the previous year's key date of Dec. 31st 2015: 11,040 staff working hours/ € 1,202,000 total annual budget)

Investments in research

	2014	2015	2016
Budget in million EUR	1.178	1.202	1.652
Working hours	10,900	11,040	14,700

This research includes independent projects that are entirely elaborated and financed by the company as well as possible joint projects undertaken in cooperation with a strategic partner. The internal financing of the research projects is ensured by way of a levy that every CQLT SaarGummi Group production plant is required to pay in keeping with a defined ratio.

The most important areas of research are:

- Weight reduction for sealing systems
- Integration of additional functions and benefits in existing sealing systems
- Improving the look and feel of sealing systems
- Increasing the automation level for the installation of sealing systems in vehicles
- Production technology
- Tooling technology

6.3 Industrial property rights

If the technical solution elaborated in a research and development project should indeed turn out to be worth protecting, CQLT SaarGummi Group will normally register it as a utility model, or possibly apply for a corresponding patent.

In 2016, the Group has applied for 10 patent rights in this manner (previous year: 6 patent rights). 9 of the patents from 2016 are relevant for the automotive business and 1 patent is relevant for the construction business.

Patent applications

	2014	2015	2016
Utility models	0	0	0
Patents	6	6	10

CQLT SaarGummi Group has also installed a patent monitoring system in the area of vehicle sealing systems, aimed at continuously providing it with an up-to-date market overview.

7. Supplementary report

No significant events have occurred after the end of the financial year.

8. Forecast report

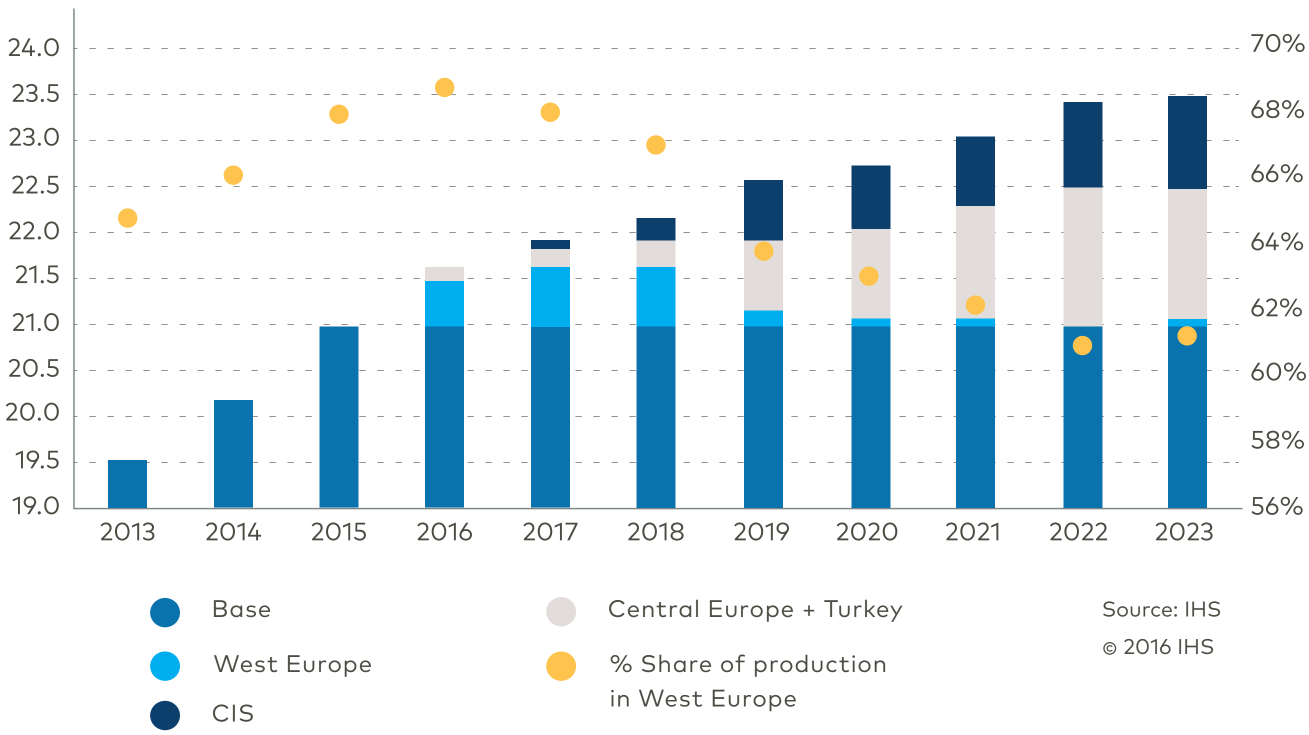
8.1 Europe

Sales 2017

In 2017 the forecasted growth leads to 20.1million units in light vehicle sales. This would be an annual increase by 1.5%. The growth is forecasted in Eastern Europe with 5% and Central Europe up by some 4%. The core market in Western Europe will most likley see a moderate growth of 0.7% year on year. Within the Western European markets, the Southern European markets are still replacing their rather aged car fleet from the last economic crisis. This translates into growth rates from 2% for France up to around 6% for both Spain and Itlay.

Production 2017

For 2017, we expect a stabilization of domestic demand and a surge of exports. Highlights of domestic demand will be a downturn on the British market, a bottom-up of Russian demand, and the end of the recovery cycle in the rest of Europe. A particular spike of export-profile product launches will lead to significant growth in exports. Overall, the implication on European production is a growth rate that will not go above 2%, a rate that we expect to continue in 2018 and beyond.



Source: IHS
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Economics 2017

The general climate in the Eurozone had been improving markedly thanks to both political moves (the European Central Bank's quantitative easing program) and factual elements (support to consumer spending from relatively low natural resources costs). Macroeconomic cyclicity should also have helped things further since most countries were essentially exiting recession, with direct benefits to growth and employment. Still, as feared, Western Europe remained in a relatively fragile position with risks ranging from a less supportive global economy, the pressure and burden of the security and migrant crisis, to the potential for the United Kingdom to leave the European Union. Surprisingly, it is from this least likely side (in our base scenario), the Brexit, that the clouds have finally decided to come from. Indeed, following the Brexit decision, Europe returns once again to an extended period of uncertainty that will inevitably affect the auto market. Given the timing of events, we think 2016 will pass without much impact, though, with full-year sales growing about 6%. However, the following years will experience more visible damage from this uncertainty with the potential for only timid growth in 2017 and beyond. Domestic demand growth should moderate to 1.4% in 2017, with total investment growth halving to 1.4% and consumer spending growth also easing to 1.4%. The euro is currently at an extremely competitive level overall for Eurozone growth prospects, trading at a 21-month low against the dollar (US$1.0505) in early December, although it did hit a five-year high against sterling in late October. We expect the euro to remain weak against the dollar through 2017 and then strengthen only modestly.

8.2 China

Sales 2017

The main reason behind the solid growth in the passenger vehicle (PV) segment in 2016 was the presence of the 50% cut in the new-car purchase tax for locally built vehicles with engines of 1.6 litres or smaller. That tax cut was in place from 1 October 2015 until 31 December 2016, and has now been replaced with a 7.5% new-car purchase tax for these vehicles, which is still lower than the 10% tax for vehicles fitted with engines over 1.6 litres. The government's 'quick fix' tax-cut policy, which was brought in following the market doldrums in summer 2015, has spurred on the Chinese car market, providing a further stimulus to the SUV segment and, in particular, to Chinese brands. Domestic brands have significantly strengthened their product portfolio with the release of a number of new SUVs specifically tailored to local tastes, and generally at a price point below those of international brands present in China. However, as the market competition intensifies, international automakers are bringing in locally produced models pitched at lower price points and tweaked for Chinese consumer tastes. In 2016, sales of vehicles with 1.6-litre or smaller engines reached 17.6 million units in China, marking an increase of 21.4% year on year and accounting for over 72% of the country's PV market. However, this year the market will face immense pressure to outperform last year's solid growth. Currently the forecast is slighty under 27 million units . This will actually result in a reduction of 1.8% compared to 2016.

Production 2017

By the end of 2018, total SUV annual production is estimated to hit 9.5 million units, with sustained double-digit growth, driven by continuous strong demand and mass new model launches, particularly entry-price models by joint-venture (JV) brands. The MPV segment will also maintain double-digit growth, up 19% year on year in 2016, thanks to increasing demand from large families and the launch of numerous minibus variants. We expect intense competition and above-average growth rates in the SUV and MPV segments in the near future, driven not only by sustainable increasing demand from the consumer side, but also supported by manufacturers' specific strategies to expand product lines, penetrate the entry-level market, and price aggressively. A turnover of export business can only be expected starting in 2017, mainly because of an economic recovery in South America, where exports should grow 22%, and General Motors (GM) planning to triple exports to North America. From the other side, motivated by the government's "Silk and Belt" strategy, local OEMs will expand overseas production facilities to avoid trade barriers, which will influence potential exports to emerging markets. A business expansion is still estimated to help Chinese OEMs maintain market share at 48% by the end of 2018. Conversely, Chinese OEMs are gradually losing market share in the car segment as foreign OEMs expand production capacity, implement aggressive pricing strategies, and continue market segmentation in all segments. To maintain market share, and even to penetrate the high-end sector, local OEMs are planning to upgrade platforms for future models—Geely launched its new Lynk and Co. premium brand on the CMA platform, Brilliance launched the new Huasong brand with a complete product lineup, Chery will develop a new model series on the M3X platform, and BAIC will develop new models on Daimler's W212 platform.

Economics 2017

Weak and unstable global demand means China will not be able to export its way to recovery, as it did in the past. Thus China's expected economic growth deceleration is to continue in 2017. Depreciation pressure on the Chinese renminbi remains, as the near- and medium-term prospects of China's economy remain negative. While growth of the Chinese economy stabilized in in recent months, such stable growth is unsustainable, as the growth stability was driven by government stimulus rather than organic growth. Moreover, fundamental causes of the Chinese economy's current struggle remain: excess industrial capacity, credit bubble, housing overhang, and most importantly, insufficient structural reforms to induce China's continued economic transformation. While depreciation on the renminbi softened recently owing to the government's foreign-exchange market intervention, stricter capital controls, and stabilized economic growth, pressure on the Chinese currency remains on the downside.

8.3 North America

Sales 2017

Regional sales improved 1.5% in 2016 to 21.0 million units, and are expected to flatten out with 21.1 million units by 2017. With US sales expected to return to trend, light vehicle sales in the region after 2018 are estimated to average 20.8 million units per year through 2023. Organic growth represents a notably smaller share of the market, increasing competition and driving the need to conquest sales from other brands.

Production 2017

The production outlook for North America is reduced by 134,000 to 17.60 million units in 2017, marking the first year on year decline since 2009. Production gains stagnate in 2017 and 2018, before surging by nearly 349,000 units in 2019 and 346,000 units in 2020 as new plant capacity expansions are utilized. North American output reaches a new historical high of 18.8 million units in 2020, yet declines for three consecutive years as localization slows and exports plateau. Exports have been a boon to regional output; yet, in many cases, exports are a temporary means to meet market demand until localization becomes viable. Regional production settings remains quite consistent over the forecast horizon, yet reflect continued migration toward stronger SUV growth at the expense of passenger cars. Although energy prices are expected to gradually strengthen from today's historical lows, a series of factors offer support to a broader range of more efficient and more profitable utility offerings.
As usual, the forecast reflects an extensive range of product planning changes in terms of timing and sourcing. The forecast reflects growing output for a small, yet small cluster of electric vehicle (EV) models, including entries from Tesla along with smaller volume from players such as Faraday Future, Atieva, and traditional automakers including General Motors (GM), Renault-Nissan, and Daimler, and future plans are underway at Volkswagen (VW) as well. Risks remain, and much work must be done, yet as manufacturers strive to effectively address compliance, the scope of EV activity continues to expand to account for a growing share of regional output even as US sales decline after 2017. The regional outlook for VW and Daimler reflects a degree of volume impact because of the addition of dedicated EV nameplates sourced from Europe.

Economics 2017

After 2.9% growth in the third quarter, US real GDP is projected to increase at annual rates of 2.1% in the fourth quarter and 2.3% in the first quarter of 2017. The US presidential election pro-

duced a political earthquake, but not an imminent economic rupture or time-critical event. This allows some time to evaluate likely policy eventualities and separate them from the electioneering rhetoric, and it additionally allows an assessment of the potential policy effects. Delivering on tax cuts and infrastructure spending could reenergize consumer spending, with the potential to extend or prolong the current peak in US auto sales for possibly another year or two, despite the expected end of the pent-up auto sales cycle. Sales of pickup trucks, in particular, could benefit from the new policy dynamic on both residential and nonresidential construction and a refocusing on domestic energy.
What would follow, perhaps around the turn of the decade, would then depend on the success or otherwise of the new policies to raise the trend growth rate of the US economy and so its resulting ability to tolerate new higher federal debt levels. Any adjustment to our market outlook effectively has to come after an economic impact assessment of the new administration's policy. The 100-day plan does, however, "announce an intention to renegotiate NAFTA" that may only signal the beginning of a lengthy process, during which time the effect is more likely to be the possible postponement of any future sourcing decisions involving cross-border relocations, rather than reassessment of plans past the groundbreaking stage.
An announcement to withdraw from the Trans-Pacific Partnership (TPP) in its current form is also part of the Trump 100-day plan. In advance of the ratification and finalization of the TPP, forecasts are not currently based on this trade agreement's implementation, or in fact that of the Transatlantic Trade and Investment Partnership (TTIP) with Europe, and so this factor on its own will not require a substantial change to our forecast outlook for economic growth or automotive import and export flows.

8.4 South America

Sales 2017

It is expected that the region bottoms toward the end of 2016 or the first half of 2017 and move sideways for a few quarters before a recovery begins. For Argentina our forecast expects the industry to stay at current levels for roughly the next 24 months given the optimism generated by a new political regime. Among President Mauricio Macri's first measures was the easing of restrictions on access to foreign currency, which also devalued the currency. This has eased black market speculation that was a contributor to the boom of 2013 and later bust of 2014.

Production 2017

As Brazil starts recovering earliest in late 2017 and exports help production, we forecast an increase of 0.5% in South America's 2017 output to 2.76 million units. A faster recovery is expected for 2018, but overall, the region will see a challenging growth path, and we see South America surpassing the 3-million-unit mark in 2020.

Economics 2017

South America entered a difficult contraction phase in 2014, with the pace of contraction accelerating during the first half of 2015 and extending into 2016.There is cautious optimism for Argentina's GDP growth in 2017 as further policy reforms will require significant political brokerage as the Macri administration faces an uphill battle in Congress. High inflation and a relatively stable exchange rate are providing incentives to increase imports of final goods.
The Brazilian economy is still in cautious territory and the recession continues. The government, for the immediate future, will be unable to increase spending as it needs to fix the deficit. The outlook for Brazil remains dull. The economy will further contract another 3.6% and unemployment will flirt with the 10.0% milestone. This, when tagged along with weak commodity prices and political uncertainty, will hold back the economy for the next couple of years. On top, credit remains a key constraint to vehicle demand in Brazil, since banks are cautious about lending. Banks have expressed concern about the entrance of subprime consumers, and as such have been restrictive with vehicle financing since mid-2011.

8.5 India

Sales 2017

2017 will be another year of around 8% sales growth and is set to contribute to the automotive mission plan (AMP) of Modi`s administration. The car scrappage scheme, if announced in the 2018 budget, can be a big boon for car manufacturers. During 2017-18, markets should revive fully and could record high double-digit growth. The long-term outlook remains positive for strong fundamental reasons such as high GDP growth, adequate financing availability, higher per capita GDP, decreasing unemployment, increasing disposable incomes, favorable demographics, and rising consumer expectations. The new government's efforts to implement a Goods and Sevices Tax (GST), build smart cities, and revive key sectors such as mining and infrastructure should boost job creation. Other key factors for substantial growth are higher spending on infrastructure and the government's focus on rural areas. India's young population, coupled with low vehicle penetration levels, is expected to steer the Indian automotive industry for the future. For the long term, we maintain our forecast for the seven-year compound annual growth rate at more than 9% for the Indian market.

Production 2017

India is currently the sixth-largest light vehicle manufacturer globally, and it is expected to climb the ladder rather quickly compared with other Southeast Asian countries. The long-term forecast for India's light vehicle industry still holds strong, and a compound annual growth rate of 8.2% is expected for 2015–22. Many manufacturers are looking at India as an export hub. Maruti Suzuki and Ford plan to use some part of their future production capacity for exports from India. As the market further matures, the compact SUV segment is one niche that will see a lot of action in the next five years. The Hyundai Creta, Ford EcoSport, Mahindra KUV100, Mahindra TUV300, and Maruti Suzuki Vitara Brezza received a good response in the market, and we also expect the strong response for the segment to continue in the long term. Utility vehicles are expected to remain in focus in the long term and are likely to cross the 0.9-million-unit mark by 2022, thanks to a slew of offerings from Renault, Maruti Suzuki, Hyundai, Daihatsu, and Nissan. As the market matures the relatively new entrants such as Renault-Nissan, Volkswagen, and Ford increase their market penetration, existing market leaders are expected to feel the pressure. Maruti, Hyundai, Tata, and Mahindra all have strong product lines to protect their market share for the long term. Within a few years, the new entrants will have a better understanding of the market and will be able to design better products that match customer expectations. Manufacturers continue to invest in future capacity additions in India. Daimler, BMW, and Renault-Nissan are investing to increase their current capacities, and it is expected that Daihatsu and Hyundai-Kia to declare long-term entries in India.

Economics 2017

For the new AMP 2016–26, the automotive industry is expected to contribute 13% of GDP, and the plan calls for taking the automotive industry's turnover to USD300 billion from USD91 billion. The sector is expected to create nearly 65 million jobs in the next decade, in addition to the current 25 million jobs. To curb pollution in the long term, the government has planned to leapfrog directly from the Bharat Stage 4 (Euro 4) to the Bharat Stage 6 (Euro 6) emission standard in 2020. India is currently running on Bharat Stage 3 across the country and Bharat Stage 4 in metropolitan areas. Bharat Stage 4 will go into effect across the country starting in April 2017. This implementation could bring challenges for Indian production, since manufacturers, refineries, and suppliers will need to make major investments in technology before 2020.

8.6 CQLT SaarGummi Group

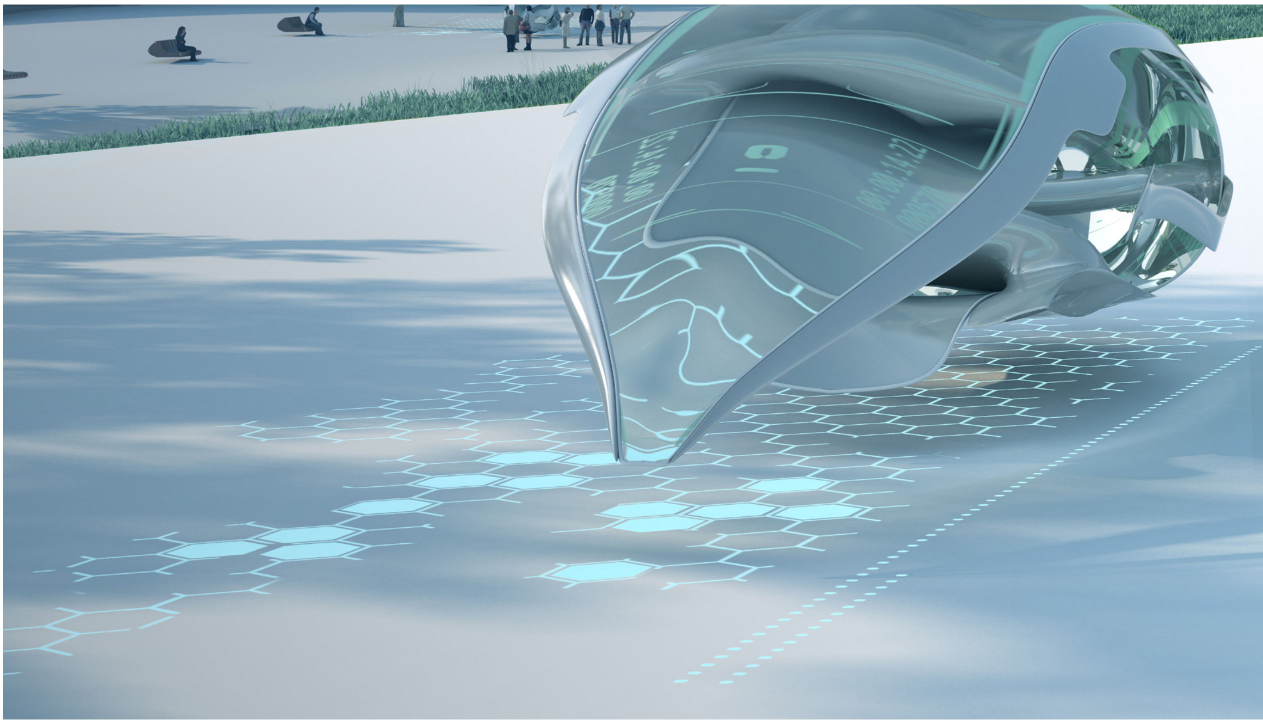
It will be important for the further development of the CQLT SaarGummi Group that the started restructuring measures continue to be successfully implemented according to plan and new actions will be defined and implemented as well.
CQLT as one of the TOP 500 Chinese company has reflected right from the beginning of its investment into CQLT SaarGummi Group his long-term interest in growing the company. CQLT ensured the financial security for the Group leading to an increased trust amongst customers, suppliers and the workforce. This has been reflected in a growing order inflow for future years, stable payment conditions and a significantly

improved productivity.
The strategic direction of CQLT SaarGummi Group at the 5-year period envisages a turnover of more than € 700 million in 2020 as a result of organic growth. Within 2016 the booked business of that revenue could be increased already to a level of € 580 million for the year 2020. The target figure is an EBT of 4-5% in 2020.
On the market side, the market share targets have been further adjusted after substantial new business awards in 2015 and 2016 and results to grow to 8% in North America, 9% in India and 5% in China, 27% in Europe whilst it will drop to 11% in South America by the year 2020. This is achieved through a sensible use of the strengths of CQLT SaarGummi Group in dynamic product range (penetration), the TPV / hybrid product segment (extension), the innovation growth (differentiation) and the consistent development of continuous improvement projects as part of the change in corporate culture (cost leadership).
The investment focus lies in the development of customer-oriented production facilities to strengthen the service bundle in the distribution area (marketing mix).
Irrespective of the organic growth strategy, above improvements are intended to build the foundation for further inorganic growth, i.e.: the acquisition of supplier companies in the same or enhanced exterior product range.
The organic growth as a result of the implementation of the strategic 5-year plan is expected to continue in 2017. For 2017, revenues of KEUR 530,000 are expected. 2018 the turnover will go up to KEUR 614,642.
The EBITDA in 2017 is expected to reach an amount of KEUR 55,122 while the EBT be at KEUR 17,000. For both EBITDA and EBT further improvements in 2017 are estimated. However, given the rather unpredictable launch cost risks in our growth regions China and Americas, the respective increase of EBITDA and EBT will not be proportional to the revenue´s.

Chongqing, March 16, 2017

Yingming Xie
Executive Director

Wei Shi
Legal Representive/Vice General Manager



Independent auditors' report

Auditor's Report

To CQLT International Investment Company Ltd., Chongqing, People's Republic of China
We have audited the consolidated financial statements prepared by CQLT International In-vestment Company Ltd., Chongqing, People's Republic of China, comprising the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the consolidated financial statements for the business year from 1 January to 31 December 2016. The preparation of the consolidated financial statements in accordance with IFRS is the responsibility of the Group's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB ("Handelsgesetzbuch: German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presenta-tion of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolida-tion principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 consolidated financial statements give a true and fair view of the net assets, financial position and the results of operations of the Group in accordance with International Financial Reporting Standards (IFRS).

Saarbrücken, 30 March 2017
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