# HELLA SATURNUS

ANNUAL REPORT 2017–2018

# Annual Report of the Company
# HELLA SATURNUS SLOVENIJA d.o.o.

for the Financial Year from 1 June 2017 to 31 May 2018

Ljubljana, December 2018

Managing Director:
Boštjan Furlan

# ANNUAL REPORT FOR THE FINANCIAL YEAR 2017/2018

## Part 1 FINANCIAL REPORT

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HELLA

# I. INTRODUCTION AND GENERAL ECONOMIC SITUATION

This business report was compiled for the financial year from 1 June 2017 to 31 May 2018. The relevant period is determined based on the practice of the company Hella GmbH & Co. KGaA from Germany, which is the sole owner of Hella Saturnus Slovenija d.o.o. (hereinafter: the Company).

The dominating global trends in the automotive industry are extremely important for the Company's performance.

[1]In the period 2012–2016, the global automotive production recorded moderate growth of 2.9% CAGR (compound annual growth rate), while the Asia-Pacific production grew at 4% CAGR and the US production at 1.4% CAGR.

The performance of the automotive industry varies considerably among regions. Currently, the production volume growth is the highest in the Asia-Pacific region. Moderate growth has also been forecast for the period until 2021. Owing to the excessive manufacturing costs and the unfavourable situation on the end-consumer market, the car manufacturing companies Ford, General Motors and Toyota have in recent years started to close production units in Australia.

According to the European Automobile Manufacturers' Association (ACEA), Great Britain is one of the largest car manufacturers in the European Union. Most of the manufactured vehicles are exported. Nissan and Tata Motors account for over 60% of the UK automobile production.

After the increase in the volume of automobile production in 2012, the production volume in the USA remains around the level of production capacity. An increase in production is not expected in the coming years without major investments. Growth in value is likely to exceed volume growth over the next five years, mainly due to price increases.

Analysts predict that global car production will grow at 3.6% CAGR in the 2017–2021 period, reaching EUR 847 billion in 2021. The Asia-Pacific production is projected to grow at 4.1% CAGR over the next five years, reaching EUR 431.8 billion in 2021, whereas production in the USA in the next five years is expected to drop at -1.1% CAGR per year, reaching EUR 76.9 billion in 2021.

1 Source: Spirit: Podjetniški portal_izvozno okno_panoge_avtomobilska industrija

# II. COMPANY PRESENTATION

| | |
|---|---|
| **1921** | **Establishment of the company Tovarna izdelkov iz pločevine in kovin (Tin and Metal Product Manufacturing Plant)** |
| **1948** | Manufacture and presentation of the first TAM Pionir headlamp |
| **1988** | Introduction of CAD/CAM/CAE technology with the CATIA software in the R&D department |
| **1990** | Introduction of headlamps made of thermoset plastics as replacement for sheet-metal headlamps |
| **2004** | Hella KGaA Hueck & Co. becomes a 100-percent owner of the company HH dejavnost holdingov, which is a 100-percent owner of the company Saturnus – Avtooprema |
| **2007** | Setup of a plant for injection moulding and anti-abrasion lacquering of polycarbonate cover lenses |
| **2010** | Setting up virtual engineering analyses and simulations of conventional and LED technologies |
| **2011** | Setup of a fully robotised flexible assembly line for auxiliary lamps |
| **2011/12** | Formation of development of electronic elements for LED technologies |
| **2012** | Nomination for a third competence centre for single-function lamps, in addition to the two centres for auxiliary lamps and the Hella Sports Car programme |
| **2012** | Development and manufacturing of the first LED fog lamp |
| **2013** | Continued transfer of know-how and experience in LED technology to the non-automotive LED programme: street lighting, industrial lighting, interior lighting and airport lighting |
| **2014** | Strategic adaptations of the Company's product portfolio:<br>▸ Street lighting (terminated)<br>▸ Industry lighting (terminated)<br>▸ Interior lighting (terminated)<br>▸ Airport lighting (terminated)<br>▸ LED module production (implemented)<br>▸ Other production (implemented) |
| **2014** | Discontinuation of the holding company HH dejavnost holdingov d.o.o. |
| **2015** | Further strengthening of strategic adjustments from the previous year |
| **2016** | Introduction of PROMOTe, modern project management |
| **2017** | Product Group *Small Lamps* is renamed *Car Body Lighting* |
| | Launch of a modern production line for radomes |

# MANAGEMENT BOARD

| | |
|---|---|
| **Managing Director** | **Boštjan Furlan** |
| **Department Managers:** | |
| Technical Centre Manager | **Tomaž Jurejevčič** |
| Program Manager | **Franc Facija** |
| Operations Manager | **Marko Šverko** |
| Manufacturing Engineering Manager | **Janez Metelko** |
| Maintenance and Facility Manager | **Marjan Brezarič** |
| Operational Excellence Specialist | **Matej Štempelj** |
| Quality Assurance Manager | **Grega Kramer** |
| Finance and Controlling Manager | **Jörg Volmering** |
| Human Resource Manager | **Katarina Primožič** |
| Purchasing and Sales Manager | **Tjaša Cetinski** |
| Legal and Compliance Manager | **Sandra Kašca** |

# PRODUCTS

The Company's production and sales range consists of automotive lighting equipment for cars and radome systems for automotive industry.

Lighting equipment for cars comprises headlamps, auxiliary fog lamps, daytime running lamps, single- and multi-function lamps.

# III. MANAGEMENT REPORT

Compared to the results of the previous financial year, the Company managed to increase the profit from operations (EBIT).

This was achieved by a structural approach in production (increased productivity through automation) and sales of value-added products.

In the financial year 2017/2018, we continued to introduce new projects successfully. The series production of some projects ended in the past year (Porsche Cayenne and Cadillac), however, the expected loss in income was compensated for with new projects, for instance Daimler H60B.

In the reporting period, revenues increased by 4% as a result of initiated implementation of new projects and increased sale of products launched in the last financial year.

The value of implemented investments was still at a high level. New investments in intangible assets and property, plant and equipment totalled EUR 38,538 thousand (without divestment totalling EUR 596 thousand), of which EUR 21,353 thousand in new projects.

We have been active in several development projects and project acquisitions. Within the Radome Program Management, we set up a new development department and successfully acquired the first project Nissan P33AB.

**TABLE 1:** Main new projects in production, by month

| Projects | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| H60B Daimler | | | | x | | | | | | | | |
| A PSA X74 DRL | | | | | x | | | | | | | |
| A PSA F3 (E3 FL) | | | | | | | | x | | | | |
| A BMW G01 | | | | | | | | x | | | | |
| H Daimler G463 | | | | | | | | | | | x | |
| H Volvo V43X | | | | | | | | | | | | x |

# IV. CORPORATE GOVERNANCE STATEMENT

The company Hella Saturnus Slovenija d.o.o., Letališka cesta 17, 1000 Ljubljana, Slovenija, Co. reg. No.: 5035945000, (hereinafter: Company) in accordance with Item 5 of Article 70 of the Companies Act (*Official Gazette of the Republic of Slovenia No.* 42/2006, 60/2006 – *amend.*, 26/2007 – *ZSDU-B*, 33/2007 – *ZSReg-B*, 67/2007 – *ZTFI,* 10/2008, 68/2008, 42/2009, 33/2011, 91/2011, 100/2011 – *Dec. CC*, 32/2012, 57/2012, 44/2013 – Dec. CC, 82/2013, 55/2015, 15/2017), hereinafter: ZGD-1, herewith issues the following

## CORPORATE GOVERNANCE STATEMENT

### 1.

The management and governance of Hella Saturnus Slovenija d.o.o., Letališka cesta 17, 1000 Ljubljana, is based on the applicable legislation, the Company's Memorandum of Association, internal guidelines and regulations and good business practice. Pursuant to Article 59 of the ZGD-1, Hella Saturnus Slovenija d.o.o. is obliged to have its financial statements audited and, pursuant to Article 70 of the ZGD-1, paragraph 5, item 1, to include the Corporate Governance Statement in the Annual Report as a separate section.

The Corporate Governance Statement refers to the period from 1 June 2017 to 31 May 2018.

### 2. Selection of the reference code with a statement of compliance with the Code principles

Hella Saturnus Slovenija d.o.o. applies the Corporate Governance Code for Unlisted Companies issued by: the Chamber of Commerce and Industry of Slovenia, the Ministry of Economic Development and Technology of the Republic of Slovenia and the Slovenian Directors' Association. The Company complies with the provisions of the Code (basic and advanced level), with the exception of some provisions indicated below, for which it provided explanations in accordance with the ZDR-1. The Code is available on the Company's intranet site. The Management of the Company issues a Statement of Compliance with the Code principles for the period from 1 June 2017 to 31 May 2018.

### 3. Deviations from the Corporate Governance Code

#### *2. CORPORATE GOVERNANCE FRAMEWORK*

2.1.1. and 2.7.1. In its Memorandum of Association, the Company does not have a specifically stated long-term interest, which is instead determined by the Hella Group with its global guidelines binding for all Group companies.

2.3.2. The Company occasionally has outstanding liabilities of more than 90 days due to alignments with the suppliers regarding non/disputable liabilities.

2.8. The Company's policy is determined by the Group guidelines which are binding for all Group companies. The relationships between the shareholders in the Company are not specified, since it is a single-person company. The relationships with the stakeholders are defined in the *Code of Conduct* guideline.

### *5. OPERATION AND REMUNERATION OF THE SUPERVISORY BODY*

5.1. The supervisory body is convened once a year or when required in accordance with the business process.
5.13. The Company has no specific directors and officers liability insurance for the members of the Supervisory Body.

### *6. MANAGEMENT BODY COMPOSITION*

6.1.2. and 6.3.1. The Company is independently represented by one Managing Director.

### *7. OPERATION OF THE MANAGEMENT BODY*

7.3. The Company has no specific directors and officers liability insurance for the members of the Management Body.

### *8. REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BODY*

8.1.2. The total remuneration system for the members of the Management Body is adopted by the single-person shareholder.
8.3.1. The remuneration of the members of the Management Body is fully set by the global performance assessment system according to the CBT system (*Compensation & Benefit Tool*).

### *11. AUDIT AND INTERNAL CONTROL SYSTEM*

11.1.3. The Company requires a change of its concrete auditors at least once every 7 years.

## 4. Description of the main features of internal control and risk management systems in the Company in relation to financial reporting procedure

Risk management is included in the Company's Annual Report.
The Company carries out internal control procedures at all levels of its operations. The purpose of internal controls is to assure accuracy, reliability and transparency of all processes related to financial reporting. At the same time, the internal control system establishes mechanisms that prevent irrational use of property and ensure cost efficiency.
The internal control system comprises procedures which ensure that:

- Business events are recorded on the basis of authentic bookkeeping documents based on which business events are recorded accurately and fairly, providing a guarantee that the Company disposes fairly of its property,
- Business events are recorded and financial statements compiled in compliance with the applicable legislation,
- Any unauthorised acquisition, use or disposal of the Company's property, which would have a material impact on its financial statements, is prevented or promptly identified.

Accounting controls are closely related to controls in the area of the information technology system, which, among others, ensure limitations and supervision of access to the network, data and applications as well as complete and accurate capturing and processing of data.

Internal control in the Company is conducted by the Finance and Controlling department, which is responsible for managing of the books of account and compiling the financial statements in accordance with the applicable financial, fiscal and other provisions.
Additional internal control in the Hella Group is performed by the *Corporate Audit Team India*.

## 5. Information arising from Article 70 of the ZGD-1, paragraph 6, items 3, 4, 6, 8 and 9

All data are comprised in the Company's Annual Report.

## 6. Information on the composition and operation of Management and Supervisory Bodies and their committees

The information on the composition and operation of the Management and Supervisory Bodies and potential committees are included in the Company's Annual Report and detailed in the Memorandum of Association and the Rules of Procedure of the Supervisory Board.

## 7. Description of the diversity policy concerning the representation in the Management and Supervisory Bodies

The Company does not have any strategy or policy of conducting and managing diversity. In the area of representation in the Management and Supervisory Bodies, the Company complies with the principle of equal treatment of all persons, regardless of their race or nationality, taking into account the general frameworks of equal treatment in employment and work, it complies with the provisions on implementation of equal opportunities principle and equal treatment of men and women in employment and professional work.
The Company ensures equal treatment to all job seekers or employees during their employment relationship (especially regarding access to employment, promotion, training, education, requalification, wages/salaries and other income arising from the employment relationship, absence from work, working conditions, working hours) and in relation to the termination of employment contracts, irrespective of their nationality, race or ethnic origin, national or social background, gender, skin colour, state of health, disability, religion or beliefs, age, sexual orientation, family status, trade union membership, financial standing or other personal circumstances in accordance with this Act, the regulations governing the implementation of the principle of equal treatment and the regulations governing equal opportunities for women and men.
The Company complies with the prohibition of direct and indirect discrimination in accordance with the valid regulations.
The Company also addresses the diversity area by striving to establish a strong social dialogue with the social partners (Works Council and representative Trade Unions).

Ljubljana, 13. December 2018

Hella Saturnus Slovenija d.o.o.

Managing Director
Boštjan Furlan

# V. A SHORT PRESENTATION OF OPERATIONS BY PRIMARY BUSINESS PROCESSES

## SALES

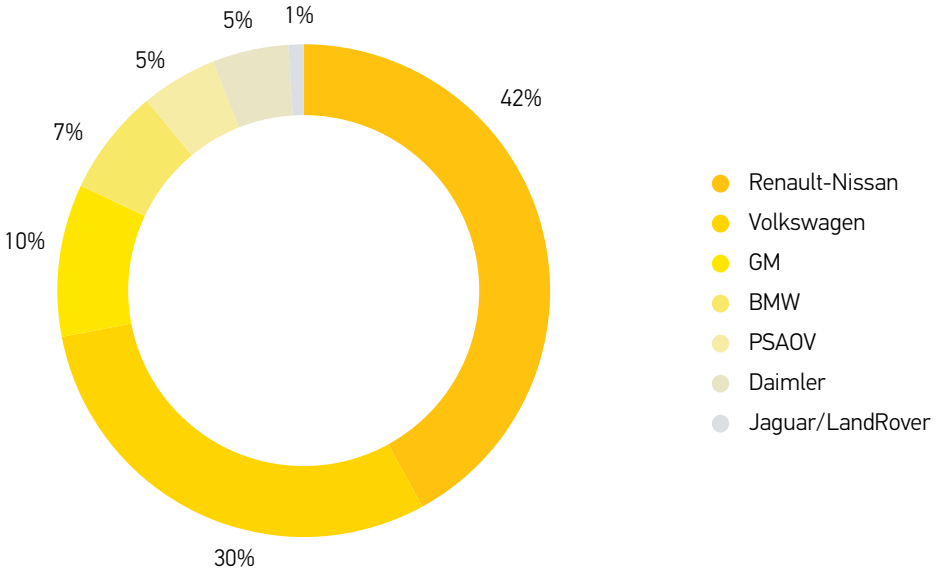
In the financial year 2017/2018, we witnessed a successful launch of new production projects, which will or have already replaced some projects that are coming to an end or have already been completed. These successful launches contribute to the Company's good performance, and the trend is expected to continue in the future. The dispersed portfolio of customers and products helps the Company manage unpredictable global trends, while constant development activities and improvements helped us keep up with the increasingly complex demands of car factories.

The table shows the structure of sales by revenue category. The total sales result has improved by almost 5% compared to the business plan. As usually, the biggest sales volume, almost EUR 289 million, was achieved with the sales to car manufacturing plants, i.e. 74%, which is nearly 7% above the plan. This is followed by the sales within the Hella Group, accounting for 20% of total sales. The sales of tools, services and other accounted for 6%.

**TABLE 2:** Planned and actual sales 2017/2018 – structure and share

| Revenue category | Business plan | Sales revenue | Revenues/plan | Share |
|---|---|---|---|---|
| | in EUR thousand | | in % | |
| **Sale of products** | **270,598** | **288,481** | 106.6% | 74.1% |
| **Hella Group** | **76,426** | **76,654** | 100.3% | 19.7% |
| **Tools, engineering services and other** | **25,023** | **24,093** | 96.3% | 6.2% |
| **Total** | **372,047** | **389,228** | **104.6%** | **100.0%** |

**CHART 1:** Presentation of the structure of automotive sales by customer in 2017/2018.




In the structure of revenues from the sale of products by customer, the Volkswagen Group was replaced as the leader by the Renault-Nissan Group holding a 42% share. After a few years on top, the Volkswagen Group dropped to the second position with 30%. The General Motors Group followed in the third place, reaching 10%. In terms of revenues, the BMW Group came fourth with 7%, followed by the PSA-Citroen-Opel Group with 5%, Daimler with 5% and Jaguar/Land Rover with 1%. The bulk of the sales was achieved with the European customers, including Revoz from Novo mesto on the domestic market. We also maintain global presence by selling products all over the world, on the North- and South-American markets, in south Africa and Asia.

# PURCHASING

In the financial year 2017/2018, we spent EUR 217 million for covering of the material requirements of production. The total value of the purchases of material for production purposes decreased by 8% compared to the previous year.

The share of purchased electronic components rose compared to the previous year, while the share of purchased bulbs and pre-assemblies dropped, while the share of other material groups remained approximately the same as last year.

Again this year, our production requirements were mostly covered with the purchase of materials outside Slovenia. The share of purchases outside Slovenia amounted to 83%, which is approximately the same as the year before (higher by 1%). The largest share of purchases was made on the German market (47%) this year as well.

**CHART 2:** Share of production materials in the financial year 2017/2018 by major groups of material.

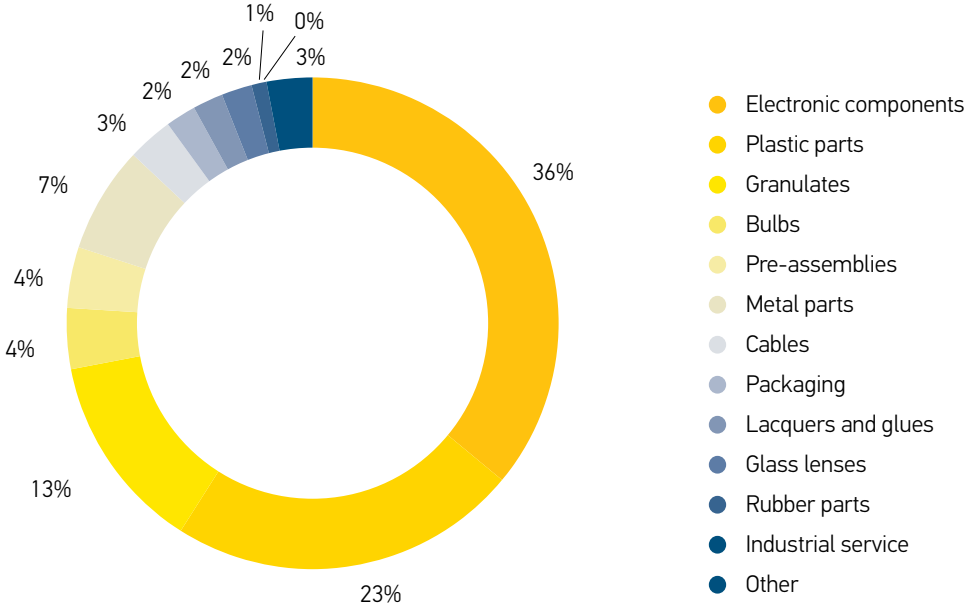
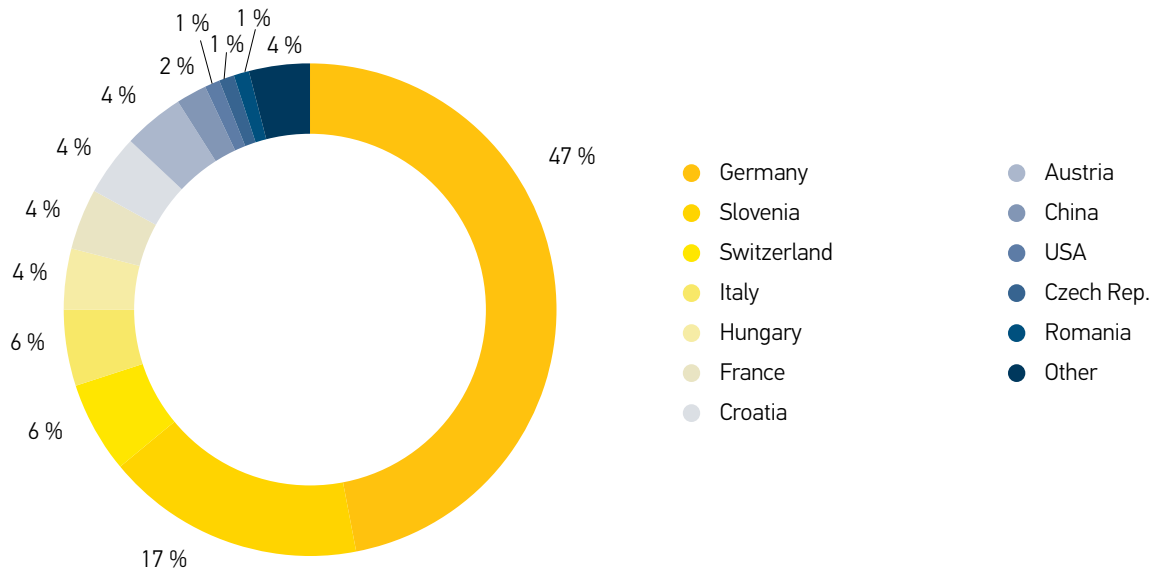
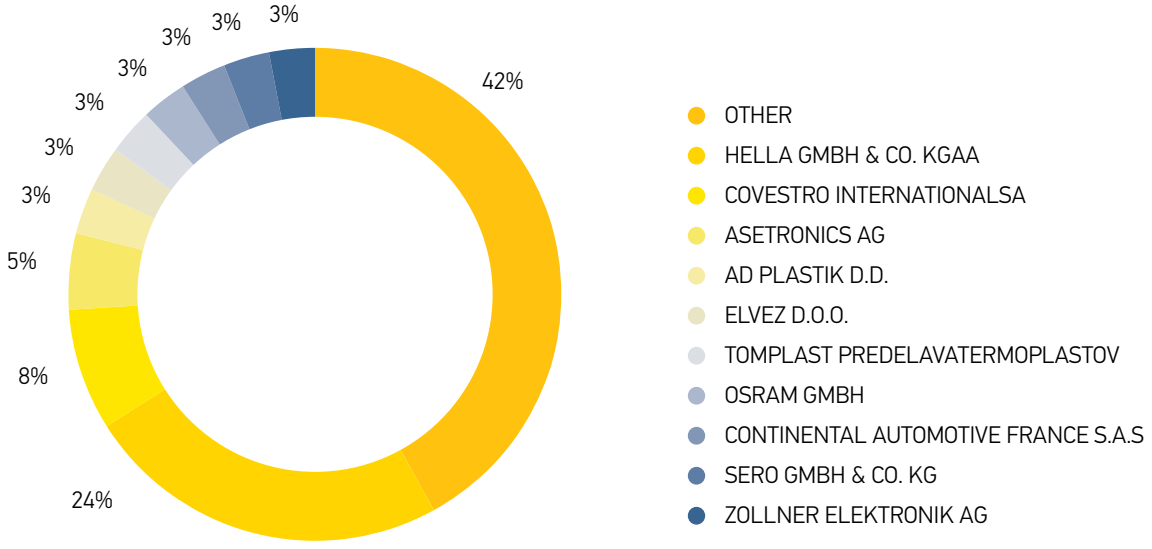


**CHART 3:** Share of production material purchases by country




This year the largest turnover was again recorded by Hella GmbH & CO. KGaA. The remaining 10 top suppliers include the suppliers of granulates (Covestro), electronic components (Asetronics, Zollner, Sero), bulbs, LEDs (Osram), drive systems (Continental) and plastics (ADP, Elvez, Tomplast).

**CHART 4:** Value of purchased production material – TOP 10 suppliers




## ACHIEVED TARGETS

In the past financial year, the prices of purchased materials decreased less than planned, still we achieved the purchasing policy targets with additional purchasing activities, such as change of materials and technical and process changes. The achieved price index was 99.2. The highest savings were recorded in the groups of electronic components, while increases were mainly seen in raw materials, specifically granulates.

On average, new purchase components were nominated by 14% lower than the target prices, and new tools by 11% lower than in the set targets.

# PRODUCTION AND LOGISTICS

The Company's product range comprises headlamps, fog lamps, small single- and multi-function lamps and radomes for passenger cars. In addition to the production of end products, the product range also includes the production of LED modules for headlamps produced for our own requirements and the requirements of other factories within the HELLA Group.

The Production and the Logistics departments were included in the Operations department comprising the following organisational units:

- Headlamps,
- Clean room,
- Small lamps and radomes,
- Components,
- Dislocated production locations,
- Logistics,
- Production technology,
- Project management in series production.

The following major investments were implemented in the financial year in production:

- Assembly line for OFL 6 fog lamps,
- Assembly line for Radome Nissan production,
- Assembly line within HSC for the Mercedes G project,
- Arzuffi vacuum coating device for the production of radome components,
- High-pressure plastic casting machine KM 350 at the KAS 2 department,
- Redesign and automation of the BMC department for lamp production,
- New cooling aggregate to increase the cooling capacity of water.

In the financial year 2017/2018, a comprehensive programme of improvements was implemented, with the target of optimising processes and consequently reducing costs (Boost). Within this programme, we carried out several projects, some of which will be completed in the next financial year:

- Consolidation of external production and storage units,
- Rearrangement and boosting of storage capacity,
- Optimisation of internal logistics and supply of production departments,
- Full automation of production cells for injection of plastic components,
- Pilot introduction of collaborative robots into the production process,
- Several projects to optimise the value stream.

The principal indicators for the monitoring of production performance are productivity and non-quality expenses, number of accidents at work, achievement of production plans and amount of stock. Productivity is measured as the ratio between attendance of production workers and the hours performed per work order. The non-quality expenses comprise the internal scrap, customer complaints, inspections of the quality of products by external contractors and special transports. The amount of stock is measured as the inventories to sales ratio (ISR).

The achievement of the set target is monitored regularly and visualised on the information boards. We have also established a system of daily reporting of results at daily cascading meetings organised at all levels, from individual departments to the Company management, at which the necessary corrective activities are immediately determined. The activities of constant improvements are also carried out within individual teams: regular problem solving, analysis of causes and systematic monitoring of progress. We continue with the positive trend of increasing productivity and reducing non-quality expenses by including the employees and encouraging responsible and systematic approach to problem solving.

# OPERATIONAL EXCELLENCE

Primary activities in the past financial year:

- LiON – BOOST constant improvements in the Company in the field of internal and external non-quality expenses (NQE), productivity, logistics, development processes and material,
- VSM (*Value Stream Mapping* – the process of establishing lean production) – planning of value streams, waste avoidance,
- Continued measures in relation to *Compliance Board*, PIB (*Plant Improvement Board*), VSFM (*Visual Shop Floor Management*),
- CoB (*Control of Basic*) – the process of ensuring compliance prior to the start of production), *Layered Audit* – technical cleanliness,
- Stop at deviation, escalation in case of scrap increase, process disruptions, technical problems – launch of a pilot process in component production – KAS2,
- SMED – the method of fast and systematic change of tools in the production process,
- MTM, BTI training of the OPEI team and process planners,
- 5S (cleanliness and tidiness in the Company) – monthly implementation of assessments in production and logistics,
- Participation in the optimisation of logistics process,
- Training and introduction of PDCA (*Plan, Do, Check, Act*) – a quick problem-solving method, PSCS (*Process Solving Check Sheet*) – a quick problem-solving method aimed at preventing repetition of identified errors,
- *Customer Compliance Program* – assurance of compliance for the IATF audits,
- Suggestions, continuation of the new process.

In the future, primary activities will focus on the support for the Boost programme (for reducing production costs in logistics and production) improved achievement of prescribed time standards (big influence on productivity), machine utilisation, reduction of non-quality expenses (NQE), continued activities of the compliance team (CoB), visualisation of key performance indicators (KPI), quick problem solving, 5S, SMED, VSM in major projects (Renault Captor, Renault Scénic, Volvo), process improvements, and continuation of LiON, PIB and VSFM. The emphasis is on process improvements at the location in Kamnik.

# QUALITY

## QUALITY SYSTEM

In the area of quality management, we were the first in the Hella Group to acquire the new IATF 16949 standard. We conducted a management review and proposed some system improvements. TÜV carried out a CQC Factory Inspection surveillance audit (compliance with the requirements for the CCC label – China) for all three production locations.

## SUBSTANTIVE PROGRAMME BY AREA

### *QUALITY AT THE STAGE OF PRODUCT AND PROCESS DEVELOPMENT*

We have been introducing the IQS application for risk assessment (FMEA), which also provides for harmonisation between inspection plans, FMEAs and complaints. The application is compatible with the SAP platform. During the year, we adapted HSS (Hella Saturnus Slovenija) templates and trained staff, to be followed by gradual introduction to projects in progress in 2018/2019.
We set up reporting within PPM (PROMOTe). This year, human resource management will also be introduced to projects.
Quality control (GL spot check) prior to approval of important milestones was introduced.

### *QUALITY AT THE STAGE OF PRODUCTION*

The downward trend in non-quality expenses improved again this year. Its ratio to sales decreased in comparison to last year.
In this financial year, the main non-quality expenses included the cost of scrap, the cost of special transport and the cost of warranty.
We have successfully continued to use Plant Improvement Boards – PIN to reduce scrap costs. To reduce the costs of special transport, a system allowing for closer monitoring of information about the reasons was introduced. A considerable portion of these costs was transferred successfully to suppliers or customers. Naturally, with the optimisation of logistics processes and a chain of suppliers.

### *LABORATORIES*

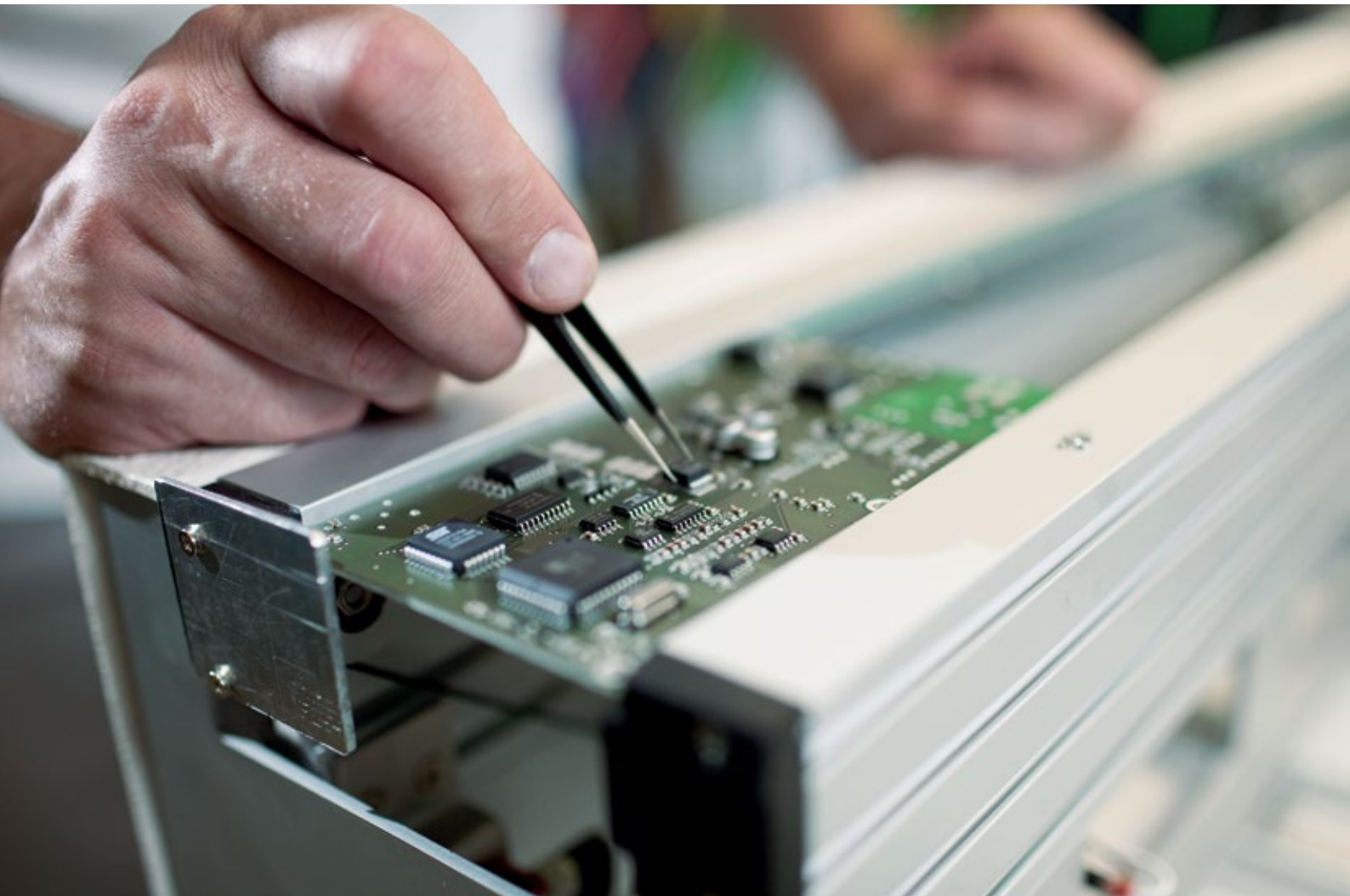
Due to the fully occupied series production control equipment , we introduced a four-shift work schedule in the Ljubljana Measuring Unit and a three-shift work schedule in the Kamnik Measuring Unit. At the Ljubljana location, we put into use a BV room (video surveillance system for optical testing). Finalisation of this investment and full utilisation of the equipment in three shifts greatly reduced the time needed for control, especially of LED modules. At the same time, this equipment significantly contributed to faster problem-solving at the launch of the Volvo project.
Due to unplanned increases in the investment in the new laboratory building, the latter is now subject to optimisation causing delays in this investment's schedule.

## *ENVIRONMENTAL MANAGEMENT SYSTEM*

Within the Hella Umbrella Certificate, our parent company carried out an internal ISO 14001:2015 audit; TÜV conducted the external audit. A new environment protection officer was appointed.
All employees received training in the area of safety at work, handling of hazardous substances, environmental management and quality management. The costs of waste are covered by sales of waste, which is a result of systematic separate waste collection.

Environmental impacts are monitored and assessed regularly; the most important impacts arise from waste management, HOS emissions into air and energy consumption. We are in the process of obtaining an environmental permit. Our environmental targets are:

- Reducing waste quantity,
- Reducing lacquer consumption and
- Reducing energy consumption.



# DEVELOPMENT ACTIVITY

## GENERAL

The activities of the Development department in the financial year 2017/2018 were focused on:

- Acquisition of product development in the Headlamp area for French and Japanese customers,
- Acquisition of product development in the Car Body Lighting area, particularly for other Hella production locations, and in the case of complex products (front combined lamps) for the HSS production location,
- Expansion of development activities in the areas of optics, electronics, engineering simulations, software development and research.

In the above-stated activities, the principal focus was on:

- Streamlining of development costs by introducing new development methods and measures,
- Achievement of profitability of the development activities by selling development services.

### *Main activities*

1. Headlamp development projects:
   - Participation in local and mixed project teams with the aim of development for own purposes as well as for Hella production locations worldwide;
   - Development of new products and refreshment of products, implementation of technical changes on the existing products in own production and on other Hella production locations;
   - Performing development support activities in the transfer of projects at the stage of production from other locations to Hella Saturnus Slovenija and/or between other Hella production locations.
2. Fog lamp and auxiliary lamp development projects:
   - Acquiring and implementing projects for fog lamps and single-function lamps according to the latest styling requirements for different cars made by all global automotive manufacturers;
   - Research and development projects for auxiliary lamps (fog lamps, daytime running lamps, direction indicators, position lamps, etc.) based on LED sources and the relevant electronics;
   - Acquiring and promoting specialist know-how for the development and production of lighting equipment based on LED light sources, complex projection optics (MLA – *Multi Lens Array*) and integrated software for automotive light electronics;
   - Participation in local and mixed project teams for the development of new products and product refreshment, implementation of engineering changes on the existing products in own production and on other Hella production locations;
   - Performing development support activities in the transfer of projects at the stage of production from other locations to Hella Saturnus Slovenija and/or between other Hella production locations.

3. Radar logotype cover (radome) development projects:
   - Establishment of a new radome development unit,
   - Establishment of first independent project teams,
   - Assuming responsibility for certain customers and groups, and looking for new ones,
   - Acquiring projects for radomes on customer request or demand for various vehicles.

4. Implementation of internal operation streamlining projects within the development activities (*LiON, SCORE-Safeguard*).

5. Implementation of services in the area of standard components for lighting equipment of vehicles for Hella development locations worldwide:
   - Setting-up know-how and training for the establishment of development competencies for standard components of automotive lighting equipment,
   - Implementing support activities in series development projects on the global scale.

We were focused on the obligations arising from the requirements of new project development and engineering changes on the existing products in production.

A lot of time was spent on harmonisation and introduction of Hella standards, procedures and documents as well as introduction of planning and controlling of development capacities.

Several activities and measures were carried out for the purpose of cost reduction within the LiON project. The Development department carries out many internal activities in the area of profitability, co-operation with the customers, business processes, training and innovation as well as target-based leadership.

In the past year, activities were carried out to consolidate development capacities, with target focus on projects with higher profitability and thus more efficient use of the existing development capacities. Within an HR campaign, development capacities were optimised and profiled and 50 new engineers were employed in the Technical Centre.

### *Participation in development projects*

This year we have been active in approximately 30 projects and project acquisitions. In addition, we also implemented three internal development and research projects in the framework of which we develop standard solutions and modules for new generations of fog lamps and single-function lamps. Final development activities (achievement of target values) were implemented in projects after the SOP. Numerous acquisition activities (concepts and bids prepared for various products) were carried out.

## HEADLAMP DEVELOPMENT

In the financial year 2017/2018 the Headlamp Program Management put into production the headlamps Renault Captor and *Renault Traffic Navette*. We also carried out development work in the scope of the projects *Renault HJB (Captur), Volvo X43x (S60/V60) and Mercedes G463 Mopf (G-Class)*. Within the Volvo project, we addressed production at two locations, which is a special challenge for all stages of industrialisation. Due to the sale of the Opel brand, we completed the work on the Opel 9Bxx *(Corsa)* project ahead of schedule at the customer's request. Throughout the year, we carried out several activities aimed at the development of new technologies according to market requirements. We also invested a lot of effort in expanding the customer base.

## CAR BODY LIGHTING DEVELOPMENT

In the financial year 2017/2018, we continued developing projects for various customers (mostly LED technology). The most represented were projects for the customers Audi, PSA, Seat, BMW, Renault, Ford, Jaguar-Land Rover (JLR), Daimler and Nissan. The prominent projects included "Light Carpet" for BMW, i.e. an innovative LED lamp for illumination of the ground around the vehicle. After successful first projects, we were nominated for other projects, in which the use of *Light Carpet* lamps is being used for the first time. We expanded our product portfolio and started to participate actively in the development of an illuminated car front grille, leading to successful completion of the development of a grille light for BMW and Daimler, which is the result of a *new product development cell* (FOIK). In this financial year, the Series Product Development also recorded effective completion of a modular LED fog lamp for Renault/Nissan, the technology of which was successfully applied to the customer SEAT as well. We also succeeded with the projects for Audi E-Tron lamps and acquired two additional projects.
Our use of development cells will continue in the new financial year, concurrently with the acquisition of competencies for new product types, such as Dynamic Light Carpet, Grille Illumination and Light Band.
As new types of products entered the market, we intensified cooperation in the field of development cells and the Development Research Unit, with the aim of maximising the transfer of new knowledge into series products.

## RADOME DEVELOPMENT

In the 2017/2018 financial year, a new development department was set up within the Radome Program Management. The priority was to establish the first competent project teams, which seized the opportunities and immediately started preparing the first offers for the demands received from customers. The Renault-Nissan Group predominated and we were also entrusted with acquisitions for the JLR and VW Group.
Just before the end of the financial year, we managed to acquire the first Nissan P33AB project, and in the next financial year we aspire to win other projects within the Renault-Nissan Group and, naturally, projects for other, existing and new customers.

## ELECTRONICS DEVELOPMENT

In the financial year 2017/2018, the electronics development team designed electronics for some very interesting pre-development (development research) projects, in the scope of which we developed circuits for controlling colour illumination and for animation in innovative new products that have not yet been placed on the market. The first circuit is using a microcontroller that receives the command from the vehicle and then illuminates the detail of the vehicle in the colour of choice with RGB LED. The second circuit is also using a microcontroller, which however controls 160 monochrome LEDs (80 white and 80 yellow ones) and creates interesting animated patterns by appropriate switching.
In addition to pre-development projects, we naturally conducted activities also within the series projects and acquisitions, with the main focus on price optimisation of conceptual solutions.
We also devoted some time to solving operational challenges in production, especially in connection with the supply of electronic components due to developments on the global component market, where occasionally appropriate alternative electronic components have to be sought and qualified.

## OPTICS DEVELOPMENT, PHOTOMETRY

In the financial year 2017/2018, we continued developing optical components for the most complex categories of headlamps and lamps. We successfully implemented several projects that required the high beam matrix function. We set up the competencies in the area of MLA mask development for the CBL product group and at the same time completed the measurement and analytical procedure for qualification of such products.
In the past financial year, we launched the investment in additional capacities in the field of measuring lighting characteristics and we are in the process of acquiring a photometer with a camera.
It is worth mentioning the increasing competence activity within the coordination of optics development in the area of headlamps and lamps, and the related prominent operation and significance of the team at the Hella Group level, undertaking some of the most demanding professional tasks in the field of optics development and the introduction of new tools for this development.

## DEVELOPMENT RESEARCH AND PRE-DEVELOPMENT

In the 2017/2018 financial year, we concluded three pre-development projects in two new small lamp segments. We also carried out four joint pre-development projects with our customers. A team was established for pre-development of technology, enabling more comprehensive development of new products both in terms of product and location.
In the area of small and single-function lamps, we remain a competence group for the evaluation of competitive products – benchmark. In the past financial year, we evaluated 16 competitive products and presented them in an exhibition at our location. As a competence centre, we also organised an exhibition of competitive products in Germany.

## INDUSTRIAL PROPERTY AND PATENTS

In the financial year 2017/2018, we were granted five national patents. Five applications for national patents were filed, of which four with the Slovenian Intellectual Property Office and one with the German Patent Office (together with Hella Innenleuchten-Systeme). In addition, we filed five international PCT applications, one European (together with Hella GmbH & Co. KGaA) and one for a German patent. One national and one international patent application are pending. Two national patents were cancelled.
At the moment, HSS holds 28 Slovenian and 8 international valid patents which are regularly maintained.

# HUMAN RESOURCES, EDUCATION/TRAINING AND MOTIVATION

In the area of human resources and HR processes, we pursued four key objectives in the financial year 2017/18, bearing in mind the business requirements: a) Enhancing the brand recognition of our company on the labour market; (b) Creating pools of talents/candidates and upgrading the selection process; (c) Developing and retaining employees by designing different retention strategies and introducing HR solutions applied to address challenges arising from a demanding labour market, (d) Upgrading HR processes and implementing new tools.

Key steps and achievements in the financial year 2017/18:

- We prepared and implemented the *Strengthening the Light programme*: more than 300 former agency workers were employed in HSS;
- We conducted a strategic management workshop entitled "Our employees are key" and introduced a strategic human resource planning methodology;
- The on-boarding process was upgraded;
- All processes were aligned with GDPR requirements;
- A system of recommendations was introduced;
- We established various communication channels for communication with the internal and external interested public;
- More than 300 visitors were hosted and acquainted with our Production and Technical Centre departments;
- The internal bulletin Bilten was strengthened and upgraded;
- In six months, we attracted more than 2000 followers on Facebook and more than 1000 followers on LinkedIn with interesting announcements and information about our work;
- We organised a summer school in cooperation with the Faculty of Mechanical Engineering in Ljubljana;
- We were the lead sponsor of the BEST Society and organised the MacGyver competition, which met with a wide response;
- We became more closely associated with our colleagues in the EE region and participated in joint events – Hella In-Day;
- A new Learning Management System (LMS) was introduced;
- e-Learning programmes were implemented in the LMS (23 different types of e-Learning programmes were launched at the global level);
- The Global Leadership Academy was completed by 53 heads and managers;
- We designed and implemented a programme for production team leaders who are introducing new employees to production, and cooperated with production management in the establishment of an onboarding workplace;
- A new competence assessment system was introduced (skill & competence management);
- We carried out the process of key talent evaluation (more than 400 employees were involved) and supported the implementation of development interviews and the target-setting process;
- Cooperation with the social partners was intensified and they have become more closely involved in strategic HR projects;
- A health promotion plan was implemented and a group of health promoters (28) was formed, with the reintroduction of the management initiative to change the corporate culture – HIGH FIVE! (*DAJ5KO!*).

# HUMAN RESOURCES

As at 31/05/2017, the Company employed 1,567 persons.

| | Number of employees in HSS by category | | | | | Total |
|---|---|---|---|---|---|---|
| As at | Direct employees | Indirect employees | Development | Sales | Administration | |
| 31/05/2017 | 502 | 708 | 277 | 25 | 55 | **1567** |

As at 31/05/2018, the Company employed 1870 persons.

| | Number of employees in HSS by category | | | | | Total |
|---|---|---|---|---|---|---|
| As at | Direct employees | Indirect employees | Development | Sales | Administration | |
| 31/05/2018 | 677 | 713 | 319 | 42 | 119 | **1870** |

In this financial year, the average number of full-time employees was 1,703.

In the financial year 2017/2018, the employment relationship of 112 employees was terminated for the following reasons:

- Retirement 23
- Own request 14
- Expiry of fixed-period employment contract 3
- Extraordinary termination 6
- Termination by agreement 67

In the financial year 2017/2018, approximately 1,168 temporary workers were referred to HSS monthly by various HR agencies. As at 31/05/2018, the Company employed 92 disabled persons.

## REMUNERATION AND MOTIVATION

In the area of remuneration and motivation of employees in the Company, the following results were achieved in the financial year 2017/2018:

- In this financial year, absenteeism due to sick leave increased from 6.92% to 7.31%. The percentage of sick leave covered by the Company grew from 3.11% to 3.36% and the percentage covered from the health insurance increased from 3.81% to 3.95%;
- The average paid gross salary per employee in the Company in this financial year amounted to EUR 1,836.03, which was an increase of 3.5% compared to the previous financial year. The Company met all its obligations arising from the collective agreement for the industry and the Company's collective agreement;
- Within the project called Promotion of company employees with the honorary title "Exemplary Employee of Hella Saturnus Slovenija", a total of 59 employees was promoted, six of them for the second time, five for the third time and three for the fourth time;
- In line with the Company's collective agreement, we introduced a system for remuneration of employees occupying bottleneck jobs by applying a retention matrix;
- The "Motivation" process and the relevant forms were supplemented in agreement with the requirements of the IATF 16949 standard;
- Rules on employee promotion were implemented;
- Rules on recruitment of candidates based on references were implemented;
- We introduced bonuses for mentors and coaches who are trained under the HIG programme;
- Guidelines for granting company cars were implemented;
- The process of Employee Rating Assessment – ERA was introduced during the year as well in the following cases: a new employee; promotion to a new position; reassignment to another organisational unit or department; transition from a group of employees not included in the ERA process into a group of employees included in the ERA process; an employee returning from maternity leave;
- We joined the project "Salary Analysis in Large Manufacturing Companies", which was organised in cooperation with the company Dr. Pendl & Dr. Piswanger, d.o.o.;
- We obtained consent of the Worker's Council to the conditions and criteria for Employee Rating Assessment – target achievement;
- Free accident insurance was introduced for employees with supplementary pension insurance, in case of death and permanent loss of general ability to work due to 100% permanent disability.

# HUMAN RESOURCE EDUCATION/ TRAINING AND DEVELOPMENT

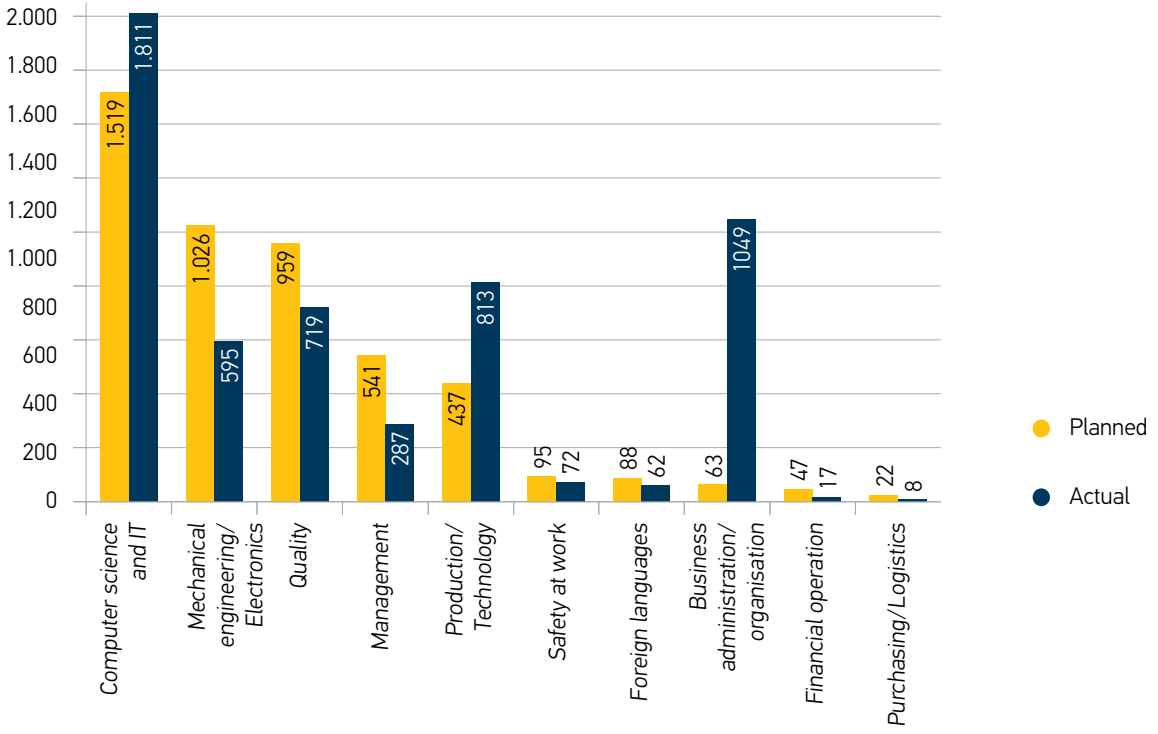
We guarantee a high level of employee qualification, which is one of our key objectives and at the same time of extreme importance for the achievement of good business performance and excellence of the Company. In accordance with the Hella business strategy and targets, we carry out all processes and projects systematically and in a target-oriented manner. Thus we contribute to the Company's recognition in terms of quality in all areas of business operations. Employees have the possibility to grow as professionals, experts and persons.

In accordance with the annual plan and additional business requirements of the Company, the human resource education/training and development involved the implementation of processes for part-time undergraduate and postgraduate studies in mechanical engineering, electronics, mechatronics and economics, traineeship for 14 trainees, specifically in jobs requiring higher/university education within the departments: Technical Centre and Quality Assurance. 26 secondary school and faculty students were provided compulsory industrial placement (fields of study: mechanical engineering, electronics, mechatronics), mostly in the field of development, production and quality.

A total of **5,495 participants** were included in professional training programmes. We organised **506 different types** of expert training programmes. The number of **hours** devoted to professional **training** totalled **32,948**, i.e. **an average of 20 training hours per HSS employee**. The major part (in terms of the number of employees) was represented by training in the areas of computer science, IT, business processes/ organisation, production technologies and quality. In addition to the above, e-Learning programmes were completed by 2,740 participants (chart 5).

**Investment in the development / education and training** of employees totalled EUR 296 thousand (i.e. 98.7% of the planned funds). The *indirect costs* of training (travel expenses, daily allowances, etc.) amounted to EUR 106 thousand.

**CHART 5:** Education and training – Number of participants – actual compared to planned



# INFORMATION AND COMMUNICATION

In the financial year 2017/2018, the activity of the IT Department focused on the optimisation and upgrade of information technology and communication infrastructure on the premises of direct production at the main company location and external locations. The activation of two new external locations and the construction of new data centres on the existing external production site are at the closing stage.

We were quite active in user support, solving 7676 cases reported in the financial year, of which as many as 99% within the prescribed time. These are the cases that we solved locally, not including reports solved on behalf of HSS by global IT support.

We optimised local file servers and thus gained some valuable additional space for electronic business documentation. Furthermore, we optimised the system for safety backup of these documents.

Current activities are geared at even greater information security and replacement of some servers the warranty of which will soon expire. We also wish to introduce automated backup on special industrial production computers in the next financial year.

# INVESTMENTS

In the financial year 2017/2018, investments totalled EUR 37,942 thousand. The increase in implementation compared to last financial year represents a 2-percentage point growth in investments. In comparison with the last financial year, the implementation increased primarily on account of the investments in projects.

Compared to the past financial years, the described structure deviates in terms of buildings, projects and cost centres. The main reasons include an unimplemented investment in a new building and various projects.

As a whole, EUR 37,942 thousand of investment funds were spent in the previous financial year, i.e. 60.10% of the funds planned in the investment plan.

**TABLE 3:** Presentation of investments implemented in the financial year 2017/2018 in EUR thousand

| in EUR thousand | Plan | Realisation | Index | % share |
|---|---|---|---|---|
| Buildings | 5,584 | 1,612 | 28.87 | 4.25 |
| Investments by cost centre | 21,087 | 11,808 | 56.00 | 31.12 |
| Projects | 32,238 | 21,353 | 66.24 | 56.28 |
| Write-offs – divestments | -20 | -596 | 2,980.00 | -1.57 |
| **Total** | **58,889** | **34,177** | **58.04** | **90.08** |
| Project capitalisation | 4,240 | 3,765 | 88.80 | 9.92 |
| **Total** | **63,129** | **37,942** | **60.10** | **100.00** |

A total of EUR 21,353 thousand was spent for the purchase of work equipment related to specific projects, accounting for 56.28% in the structure of implemented investments, while the funds spent only account for 66.24% of the initial plan (see column Index). The investments related to cost centres totalled EUR 11,808 thousand, i.e. 56.00% of the ones initially planned, and in the total structure they represented 31.12% of the implemented investments. EUR 1,612 thousand were spent for buildings, which is less than planned, namely 4.25% of all implemented investments in terms of structure.

# VI. RISK MANAGEMENT

## CURRENCY RISK

In the past few years, the developments in the world and the economic recession in certain developed economies caused major currency fluctuations on the international money markets. The bulk of inflows and outflows of our company is in EUR.
Most of the Company's international transactions are performed in EUR. Currency risk is not significant, mainly because of the alignment of inflows and outflows, denominated in domestic currency.
Operations in foreign currencies are minimum in our company, which is why the currency risk is irrelevant.

## INTEREST RATE RISK

The risk of changes in interest rates is defined as the uncertainty related to the fluctuation of interest rates in the future and which directly defines the amount of our liabilities arising from long-term borrowing – raising of loans.
In September 2010, the Company signed an agreement with Hella KGaA Hueck & Co. on the inclusion in the *cash pooling* system via UniCredit Bank. Within this system, the daily borrowing limit for the Company is up to EUR 3 million but no more than 10% of the sales revenues in the previous period, which totals EUR 35,836 thousand for this financial year.
The interest rate is calculated monthly, based on the "overnight" reference interest rate in the EURO area – EONIA +0.80% p.a. for funds received and EONIA -1.125% p.a. for funds granted.

## RISK OF DEFAULT BY COUNTERPARTY

The Company regulates the risk of default by counterparty by taking into account the risk rates of individual customers as well as the market on which the customer operates when determining the annual sales payment conditions. The Company uses advance payments, in a small scope, for hedging against risks, mainly with new customers.
Risk is managed by regular monitoring and collection of receivables.

## PROTECTION OF INTERESTS AND PROPERTY

The scope and intensity of insurance coverage changes with the growth in property, use of new technologies, products and markets; the exposure to risks changes simultaneously. The scope of insurance risks indicates the risks an item is insured against and the intensity indicates the amount of expected damage compensation. Of course, the Company does not have insurance against all risks and the entire amount of damage, as it actively monitors costs, minor and less frequent damages and risks that can be minimised with preventive measures. Therefore, insurance is of higher quality and less expensive and the risk management process is centralised.

Property insurance comprises insurance against damage of construction facilities, equipment,

machines and inventories. Losses arising from the consequence of production downtime comprise the labour cost, depreciation and amortisation, other operating expenses and profit from operations for a period of one and a half year. The increase of the Company's own participation in damage resulted in premium savings while maintaining the amount of insurance coverage.

The manufacturer's product liability and the cost of product recall are also insured.

Compared to property insurance, it is much more difficult to assess the scope of financial impact arising from civil liability insurance, as this is subject to court proceedings and orders to compensate damage to individual persons. International standards, recommendations and sometimes legal bases are used for these purposes.

## SOLVENCY RISK

Solvency risk is the risk that the Company will run into difficulties with raising funds for paying its obligations as they fall due.

In the area of purchasing, the Company introduced payment conditions in accordance with the strategy and guidelines of the purchasing policy of the Hella Group with most of the suppliers. The payment conditions, i.e. payments on the 25th day of the month for the deliveries made in the previous month, granted percentage of discount or reduced purchase prices, have been introduced with all major suppliers on the domestic and foreign markets.
The Company is actively collecting receivables and arranging compensations. The payment deadlines of customers and suppliers have been aligned to the maximum possible degree. In the case of major investments, the Company arranges the method of financing in co-operation with the parent company. In the event of a short-term deficit of assets, the Company uses the transaction account overdraft (*Cash Pool Agreement*).

## RISKS ON THE PURCHASE AND SALES MARKETS

Risks on the purchase markets are conditioned by the boom of Asian markets and unstable conditions regarding the prices of copper and crude oil.
The first reason can bring about the growth in prices of cables and the second one the increase in prices of plastic materials and components, and of transport. As this is a category of market risk, any changes will affect the Slovenian, European and other global markets.
Contracts have been signed with the majority of suppliers which contain clauses on price fluctuations. Any increases in the prices of raw materials listed at the stock exchanges or directly related to stock exchange developments are taken into account in the starting positions and assumptions used for compiling business plans.

In this financial year, the Company had no specific contracts for hedging against the risks of fluctuating coper prices on the global market.

The major risks in the sales area were the potential loss of market share and the drop in the sales prices. The planned reduction of the prices of products during the entire lifespan of a product is defined with the key customers already upon the acquisition of new projects and taken into account in the drafting of the sales plans.

# VII. OPERATIONS WITH RELATED COMPANIES

Hella Saturnus Slovenija d.o.o. operates with the companies in the Hella Group as customer and supplier under the usual market conditions, among others also with the controlling company Hella KGaA Hueck & Co.

The purchasing, sales and development strategy is set by the parent company of the Hella Group for each year.

The controlling company of the Hella Group also acts as the main coordinator or negotiator with key customers and suppliers, while actively participating in the process of setting the sales and purchase prices, payment terms and conditions, and acquisition of new projects.

In the case of new projects, the controlling company also negotiates the development of new products and tools; furthermore, Hella KGaA Hueck & Co. also makes arrangements on the method of financing the tools to be used in the manufacturing of new products. These tools are mostly legally owned by the customers. Hella Saturnus Slovenija d.o.o. often acts as the supplier of these tools for the customer or car manufacturer and the efficiency of the sale is linked to the scope and the selling prices of the final products – lighting equipment for motor vehicles.

The controlling company also sets the strategy and guidelines for introducing the uniform information technology system, strategy in foreign sources of financing of the subsidiaries or financing within the Group, as well as property and other types of insurance.

# VIII. COMPANY DEVELOPMENT IN THE NEXT FINANCIAL YEAR 2018/2019

HELLA Saturnus Slovenija d.o.o. performs its activities in accordance with the business strategy of the controlling company HELLA KGaA Hueck & Co. According to this business strategy, the Company's tasks include manufacturing and development of headlamps, fog lamps and car body lighting, as well as internal lighting and radome development.

Net sales revenues increased by EUR 14 million, i.e. from EUR 375 million in the financial year 2016/2017 to EUR 389 million in the financial year 2017/2018. The plan for the next year foresees EUR 383 million of net sales revenues and a stable trend in 2019/2020. Due to the future sales forecasts, the Company is facing many challenges (space, production capacity, supplier management etc.). All these challenges have been included in the business plan for the next financial year.

In view of the positive trend of net sales revenues, the Company plans to further increase profit over the next three financial years.

Stated below is a list of new products the production of which is planned to be launched in the next financial year. The revenues in the next financial year will be mostly influenced by Nissan (Daimler) H60B and Volvo V43x headlamps.

**TABLE 4:** New projects in the financial year 2018/2019 by month

| Projects | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **R VW Touareg** | | | | x | | | | | | | | |
| **CBL Ford Mondeo DRL (LED)** | | | | x | | | | | | | | |
| **CBL Seat CUVe LED Foglamp** | | | | x | | | | | | | | |
| **CBL Škoda A** | | | | | | | | x | | | | |
| **C Daimler VS30** | | | | | | | | x | | | | |
| **CBL Renault LED Foglamp** | | | | | | | | | x | | | |
| **H Renault Trafic LED** | | | | | | | | | | | x | |

Many activities will be focused on continuous improvement of operations (the LiON programme), reduction of operating costs, employee motivation and efforts to improve production and consequently increase return on assets invested in the production process.

The following key assumptions have been taken into account during the preparation of the business plan:

## REVENUE PLANNING

Sales of products were planned based on OEM customer data and aligned with the key customer account managers. Other market forecasts served as the basis for OES and IAM products.

Planned total sales revenues from the sale of products in the financial year 2018/2019 amount to EUR 371,654 thousand.

The Company expects to generate revenues in the area of engineering and joint tool investments in the amount of EUR 10,961 thousand the new financial year.

Total revenues planned for the financial year 2018/2019 thus amount to EUR 382,615 thousand.

## COST PLANNING

Costs have been planned on the basis of the calculations by item in the current financial year. The cost plan took into account purchase and production improvements.

### Cost structure specified in the business plan for the 2018/2019 period:

- Material costs 55%
- Labour costs: 19%
- Amortisation and depreciation costs: 7%
- Other costs: 18%

## PROFITABILITY

Total operating profit (income statement) planned in the financial year 2018/2019 amounts to 1.6% or EUR 6,170 thousand.

# IX. CULTURE AND CONDUCT

## Our company develops the values and conduct leading to success.

**Our values are:**

***Entrepreneurial accountability/autonomy***
We act with entrepreneurial accountability and responsibility.

- We make independent assessments of business situations.
- We anticipate appropriate measures and implement them.
- We set high expectations for ourselves.
- We provide support to our colleagues.

***Co-operate in a spirit of partnership and work together efficiently***
We cooperate.

- We are open and trusting.
- We cooperate among ourselves, with our customers and suppliers.

***Ensure sustainability***
We are consistent.

- We consistently implement the defined targets and review them.
- We are disciplined and forward-looking.

***Provide performance***
We achieve positive results.

- We work with great commitment and satisfaction.
- Our targets are clear and understandable.

***Be innovative and change in a positive sense***
We are innovative.

- We are willing to learn, develop and look for new solutions.
- We develop innovative products and processes that are important for our customers.

***Act with integrity***
We act with integrity.

- We are honest and trustworthy.
- We work in a friendly environment and in a quality-oriented manner.
- This enables us to form stable and trusting relationships with our customers and colleagues.

***Be an example***
We behave in an exemplary manner.

- We apply the defined corporate values through our own actions, implement them and serve as an example to ourselves and others.

In 2016, we launched the *Hella, high five!* project to promote the desired behaviour aimed at changing our culture and strengthening our common values.


We follow the *HELLA Code of Conduct* and strive to act with integrity, in compliance with the applicable regulations and our values as well as strengthen the behaviours that connect us and lead to success

## Hella's golden 5 behaviours:

**Reaching out**
We are always ready to lend an ear to our colleagues and reach out when they need us.

**Speaking out**
We can work better if we know what to expect in advance and if we speak honestly.

**Coordinated effort**
We make our decisions based on honest and open communication.

**Paying attention**
Discussion is always based on true facts.

**Giving feedback**
We take into account each other's views and act respectfully. All feedback and opinions are communicated immediately.

# X. DISCLOSURE OF IMPORTANT BUSINESS EVENTS AFTER THE END OF THE FINANCIAL YEAR

At the beginning of the new financial year, the Company's operations proceeded within the business plan for the financial year 2018/2019. The Company is achieving the set business result.

# ANNUAL REPORT FOR THE FINANCIAL YEAR 2017/2018

## Part 2 ACCOUNTING STATEMENTS WITH NOTES

# 1. GENERAL DISCLOSURES

***Presentation of the Company***

| Date of change | Companies Reg. entry No. | Subject matter of change: |
|---|---|---|
| **4. 12. 1991** | | Establishment of Saturnus – Avtooprema |
| **6. 1. 1992** | 47821/91 | Company registration at the Basic Court of Ljubljana, entry No.: 1/14234/00 |
| **14. 3. 1997** | 97/01036 | Change of company name to Saturnus – Avtooprema, proizvodnja svetlobne opreme za motorna in druga vozila, d.d., Ljubljana, and increase in share capital to SIT 1,135,984,000. |
| | 97/04555 | Povečanje osnovnega kapitala družbe na 1.294.244.000 SIT |
| **24. 10. 1997** | 97/04555 | Increase in the Company's share capital to SIT 1,294,244,000. |
| **26. 1. 2004** | 2003/08422 | Company's integration into Hella Lux dejavnost holdingov d.o.o. |
| **28. 5. 2004** | 2004/03393 | Change of name to Hella Lux Slovenija, Proizvodnja svetlobne opreme za motorna in druga vozila, d.o.o.; change of the Company's legal form into a limited liability company and the new owner is HH dejavnost holdingov d.o.o. |
| | 2007/02824 | Prevrednotenje osnovnega kapitala v valuto evro |
| **30. 5. 2005** | 2005/04945 | Increase in the Company's share capital to SIT 1,599,819,253. |
| **28. 3. 2007** | 2007/02824 | Revaluation of share capital into euro. |
| **26. 5. 2008** | 2008/20959 | Change of the company name to Hella Saturnus Slovenija, Proizvodnja svetlobne opreme za motorna in druga vozila, d.o.o. |
| **18. 1. 2013** | 2013/3460 | Increase in share capital with the contribution of the new shareholder, Hella KGaA Hueck & Co., Rixbecker Straße 75, 59555 Lippstadt, Germany, in the amount of EUR 741,770.00 |
| **30. 12. 2014** | 2014/53007 | Discontinuation of the company HH dejavnost holdingov d.o.o. by a simplified procedure; takeover of 90% of the business stake by the sole shareholder Hella KGaA Hueck & Co., Rixbecker Straße 75, 59555 Lippstadt, Germany. |

## *Basic information*

- Company name: **HELLA SATURNUS SLOVENIJA, proizvodnja svetlobne opreme za motorna in druga vozila, d.o.o.**
- Abbreviated company name: **HELLA SATURNUS SLOVENIJA d.o.o.**
- Business address: **Letališka cesta 17, 1000 Ljubljana**
- Share capital: **7.417.697 EUR**

## *Ownership structure*

Since 30/12/2014, Hella GmbH & Co. KGaA from Germany has been a 100% owner of the Company.

## *Activity*

Based on the registered activity, the Company belongs to metal processing and electrical industry. Its principal activity is manufacture of electric lighting equipment.

## *Bodies of the Company*

The bodies of the Company are the Supervisory Board and the Management Board. The Company's Management is represented by Boštjan Furlan. The Company's Supervisory Board is composed of: the Chairman Frank Franz Huber (appointed on 12 December 2018), Deputy Chairman Torben Leonhard Karasek (appointed on 12 December 2018) and Bojan Vesel (employee representative, appointed on 10 May 2018).

## *Other information*

| | |
|---|---|
| **Company registration No.:** | 5035945 |
| **Tax number:** | SI21491895 |
| **Activity code:** | 27.400 (Manufacture of electric lighting equipment) |
| **Size:** | large company, according to the Companies Act |
| **Number of employees:** | 1,870 |
| **Transaction account with the bank NLB:** | SI56 0292 3001 2164 328<br>SI56 2900 0005 5285 395<br><br>DE45 4402 0090 0020 031 727 |
| **Transaction account with UniCredit Banka:** | od 1. 6. tekočega leta do 31. 5. naslednjega leta |
| **Transaction account with UNICREDIT BANK AG (HYPOVEREINSBANK)** | SI56 0292 3001 2164 328<br>SI56 2900 0005 5285 395<br>DE45 4402 0090 0020 031 727 |
| **Financial year:** | from 1 June of the current year to 31 May next year |
| **Calendar year:** | for the requirements of the state, the Company also compiles financial statements for the calendar year, which are not directly the subject of auditing. |

## *Capital relations*

Hella Saturnus Slovenija d.o.o. is 100% owned by the company Hella GmbH & Co. KGaA with the registered office at the address Rixbecker Straße 75, 59555 Lippstadt, Germany, and is included in the consolidated financial statements of the Hella GmbH & Co. KGaA Group. The consolidated annual report of the Group can be obtained at the registered office of the controlling company. On 28/09/2017, the company was renamed from HELLA KGaA Hueck & Co. to HELLA GmbH & Co. KGaA.

## *Statement of the Management*

The Management of Hella Saturnus Slovenija d.o.o. hereby declares that it fully approves these financial statements compiled for the year ended 31/05/2018:

- Income statement,
- Other comprehensive income,
- Balance sheet,
- Cash flow statement,
- Statement of changes in equity, and the related notes, presented in this Annual Report.

The Management Board confirms that it is responsible for the compilation of the Annual Report of Hella Saturnus Slovenija d.o.o. and the financial statements that present, for those interested, a true and fair view of the financial position and operating results of Hella Saturnus Slovenija d.o.o. in the year ended 31/05/2018.

The Management Board confirms that the financial statements were compiled by consistently applying the appropriate accounting policies, that accounting estimates were made according to the principles of prudence and due diligence, and that the financial statements of the Company show a true and fair view of the Company's assets and operating results for the financial year ended 31/05/2018.

The Management Board is also responsible for appropriate accounting and taking of adequate measures to protect the Company's property and other assets and hereby confirms that the financial statements, together with the notes, were prepared based on assumptions of a going concern and in compliance with the applicable legislation as well as the Slovenian Accounting Standards.

The Management Board of the Company is acquainted with the contents of the constituent parts of the Annual Report of the company Hella Saturnus Slovenija d.o.o. for the year which ended 31/05/2018 and thus the entire Annual Report. I, the undersigned, sign the report to confirm my agreement.

Ljubljana, 13 December 2018

Finance and Controlling Manager:
Jörg Volmering

Managing Director:
Boštjan Furlan

# 2. FINANCIAL STATEMENTS

## 2.1 BALANCE SHEET

| | | Notes | 31/05/2018 | 31/05/2017 |
|---|---|---|---|---|
| | | | | in EUR thousand |
| **ASSETS** | | | **218,758** | **198,153** |
| **A.** | **NON-CURRENT ASSETS** | **125,857** | **116,524** | **116.524** |
| **I.** | **Intangible assets and long-term deferred costs and accrued revenues** | **4.1.1.** | **7,582** | **4,806** |
| | 1. Long-term property rights | | 120 | 250 |
| | 4. Long-term deferred development expenses | | 7,462 | 4,556 |
| **II.** | **Property, plant and equipment** | **4.1.2.** | **111,434** | **106,201** |
| | 1. Land and buildings | | 22,853 | 22,459 |
| | a) Land | | 2,248 | 2,248 |
| | b) Buildings | | 20,605 | 20,211 |
| | 2. Production plant and machinery | | 60,494 | 60,433 |
| | 3. Other plant and equipment | | 1,616 | 1,312 |
| | 4. Property, plant and equipment being acquired | | 26,471 | 21,997 |
| | a) Tangible assets under construction and manufacture | | 26,071 | 21,552 |
| | b) Advances for the acquisition of property, plant and equipment | | 400 | 445 |
| **VI.** | **Deferred tax assets** | **4.1.3.** | **6,841** | **5,517** |
| **B.** | **CURRENT ASSETS** | **91,166** | **80,087** | **19.646** |
| **II.** | **Inventories** | **4.1.4.** | **21,466** | **19,646** |
| | 1. Material | | 13,091 | 12,626 |
| | 2. Work in progress | | 3,439 | 3,321 |
| | 3. Products and merchandise | | 4,934 | 3,696 |
| | 4. Advances for inventories | | 2 | 3 |
| **IV.** | **Current operating receivables** | **4.1.5.** | **69,571** | **60,372** |
| | 1. Current operating receivables due from Group members | | 14,307 | 16,874 |
| | 2. Current trade receivables | | 52,113 | 41,504 |
| | 3. Current operating receivables due from others | | 3,151 | 1,994 |
| **V.** | **Cash assets** | **4.1.6.** | **129** | **69** |
| **C.** | **SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES** | **4.1.7.** | **1,735** | **1,542** |
| **OFF-BALANCE SHEET ASSETS** | | | **3,800** | **2,399** |

| | | | | |
|---|---|---|---|---|
| **LIABILITIES** | | | **218,758** | **198,153** |
| **A.** | **EQUITY** | **4.1.8.** | **75,070** | **62,032** |
| **I.** | **Called–up capital** | | **7,418** | **7,418** |
| | 1. Share capital | | 7,418 | 7,418 |
| **II.** | **Capital reserves** | | **15,096** | **15,096** |
| **III.** | **Revenue reserves** | | **9,650** | **9,650** |
| | 1. Statutory reserves | | 742 | 742 |
| | 5. Other revenue reserves | | 8,908 | 8,908 |
| **V.** | **Reserves from revaluation at fair value** | | **-750** | **-239** |
| **VI.** | **Net profit or loss brought forward** | | **29,914** | **22,100** |
| **VII.** | **Net profit or loss for the financial year** | | **13,742** | **8,007** |
| **B.** | **PROVISIONS AND LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES** | **4.1.9.** | **31,484** | **26,857** |
| | 1. Provisions for pensions and similar liabilities | | 5,365 | 4,500 |
| | 2. Other provisions | | 2,840 | 1,356 |
| | 3. Long-term accrued costs and deferred revenues | | 23,279 | 21,001 |
| **Č.** | **CURRENT LIABILITIES** | | **75,513** | **70,785** |
| **II.** | **Current financial liabilities** | **4.2.10.** | **26,439** | **28,510** |
| | 1. Current financial liabilities to Group members | | 26,439 | 28,510 |
| **III.** | **Current accounts payable** | **4.2.11.** | **49,074** | **42,275** |
| | 1. Current operating liabilities to Group members | | 14,702 | 12,599 |
| | 2. Current trade payables | | 32,587 | 28,133 |
| | 5. Other current operating liabilities | | 1,785 | 1,543 |
| **D.** | **SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES** | **4.2.12.** | **36,691** | **38,479** |
| **OFF-BALANCE SHEET LIABILITIES** | | **4.2.13.** | **3,800** | **2,399** |

The financial statements must be read together with the notes to financial statements.

## 2.2 INCOME STATEMENT

in EUR thousand

| | | Notes | 01/06/2017 until 31/05/2018 | 01/06/2016 until 31/05/2017 |
|---|---|---|---|---|
| **1.** | **Net sales revenues** | **4.2.1.** | **389,227** | **375,381** |
| | a) on domestic market | | 14,085 | 16,108 |
| | b) on foreign market | | 375,142 | 359,273 |
| **2.** | **Changes in the value of inventories of products and work in progress** | | **1,495** | **-95** |
| **3.** | **Capitalised own products and services** | **4.2.2.** | **3,812** | **2,148** |
| **4.** | **Other operating revenues (including revaluation operating revenues)** | **4.2.3.** | **2,306** | **1,991** |
| **5.** | **Costs of goods, materials and services** | **4.2.4.** | **-301,320** | **-294,523** |
| | a) Cost of goods and materials sold and cost of materials used | | -224,531 | -224,020 |
| | b) Costs of services | | -76,789 | -70,503 |
| **6.** | **Labour costs** | **4.2.5.** | **-49,646** | **-43,287** |
| | a) Payroll costs | | -35,141 | -32,585 |
| | b) Social security insurance costs | | -6,533 | -5,730 |
| | I. Pension insurance costs | | -3,900 | -3,426 |
| | II. Costs of other social security insurance | | -2,633 | -2,304 |
| | c) Other labour costs | | -7,972 | -4,972 |
| **7.** | **Write-offs** | **4.2.6.** | **-30,808** | **-34,200** |
| | a) Depreciation | | -29,889 | -30,714 |
| | b) Revaluation operating expenses associated with intangible assets and property, plant and equipment | | -249 | -2,639 |
| | c) Revaluation operating expenses associated with current assets | | -670 | -847 |
| **8.** | **Other operating expenses** | **4.2.7.** | **-2,615** | **-1,383** |
| | **Operating profit/loss** | | **12,451** | **6,032** |
| **10.** | **Financial revenues from loans granted** | | **1** | **0** |
| | b) Financial revenues from loans granted to others | | 1 | 0 |

| | | | | |
|---|---|---|---|---|
| **11.** | **Financial revenues from operating receivables** | **4.2.8.** | **65** | **68** |
| | b) Financial revenues from other operating receivables | | 65 | 68 |
| **12.** | **Financial expenses for impairment of financial investments** | | | |
| **13.** | **Financial expenses for financial liabilities** | **4.2.9.** | **-164** | **-143** |
| | a) Financial expenses for loans from Group companies | | -120 | -123 |
| | d) Financial expenses for other finance liabilities | | -44 | -20 |
| **14.** | **Financial expenses for operating liabilities** | **4.2.10.** | **-150** | **-151** |
| | b) Financial expenses incurred in connection with liabilities to suppliers and bills payable | | -65 | -67 |
| | c) Financial expenses for other operating liabilities | | -85 | -84 |
| **15.** | **Other revenues** | **4.2.11.** | **43** | **30** |
| **16.** | **Other expenses** | | **-12** | **-9** |
| | **Total profit/loss before taxes** | | **12,234** | **5,827** |
| **18.** | **Deferred taxes** | | **1,508** | **2,180** |
| **19.** | **Net profit or loss for the period** | **4.2.12.** | **13,742** | **8,007** |

The financial statements must be read together with the notes to financial statements.

### *2.2.1 Other comprehensive income*

in EUR thousand

| | | 01/06/2017 until 31/05/2018 | 01/06/2016 until 31/05/2017 |
|---|---|---|---|
| **19.** | **Net profit or loss for the period** | 13,742 | 8,007 |
| **23.** | **Other elements of comprehensive income** | -704 | -189 |
| **24.** | **Total comprehensive income for the accounting period (19+20+21+22+23)** | **13,038** | **7,818** |

## 2.3 CASH FLOW STATEMENT (VERSION II)

in EUR thousand

| | | 01/06/2017 to 31/05/2018 | 01/06/2016 to 31/05/2017 |
|---|---|---|---|
| **A.** | **CASH FLOWS FROM OPERATIONS** | | |
| **a)** | **Items from the income statement** | **42,542** | **39,062** |
| | Operating revenues (except from revaluation) and financial revenue from operating receivables | 391,464 | 377,470 |
| | Operating expenses excluding depreciation (except for revaluation) and financial expenses from operating liabilities | -349,106 | -338,147 |
| | Income tax and other taxes not included in operating expenses | 184 | -261 |
| **b)** | **Changes in net current assets (including accruals and deferrals, provisions and deferred tax assets and liabilities) of balance sheet operating items** | **-5,587** | **-14,965** |
| | Opening less closing operating receivables | -9,200 | -1,342 |
| | Opening less closing short-term deferred costs and accrued revenues | -193 | 826 |
| | Opening less closing inventories | -1,819 | 1,491 |
| | Closing less opening operating liabilities | 3,490 | -13,052 |
| | Closing less opening accrued costs and deferred revenue, and provisions | 2,135 | -2,888 |
| **c)** | **Positive or negative cash flow from operating activities (a + b)** | **36,955** | **24,097** |
| **B.** | **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| **a)** | **Receipts from investing activities** | **524** | **689** |
| | Receipts from interest and profit participations from investing activities | 1 | 0 |
| | Receipts from disposal of property, plant and equipment | 523 | 689 |
| **b)** | **Disbursements for investing activities** | **-35,184** | **-33,831** |
| | Disbursements for acquisition of intangible assets | -3,813 | -2,141 |
| | Disbursements for acquisition of property, plant and equipment | -31,371 | -31,690 |
| **c)** | **Positive or negative cash flow from investing activities (a + b)** | **-34,660** | **-33,142** |
| **C.** | **CASH FLOWS FROM FINANCING** | | |
| **a)** | **Receipts from financing activities** | **124,170** | **157,466** |
| | Receipts from the increase in financial liabilities | 124,170 | 157,466 |
| **b)** | **Disbursements for financing activities** | **-126,405** | **-148,445** |
| | Disbursements for interest related to financing | -164 | -143 |
| | Disbursements for repayment of financial liabilities | -126,241 | -146,302 |
| | Disbursements for the payment of dividends and other profit participations | 0 | -2,000 |
| **c)** | **Positive or negative cash flow from financing (a + b)** | **-2,235** | **9,021** |
| **Č.** | **Closing balance of cash** | **129** | **69** |
| **x)** | **Net cash flow for the period (sum of Ac, Bc and Cc)** | **60** | **-24** |
| **y)** | **Opening balance of cash** | **69** | **93** |

## 2.4 ACCUMULATED PROFIT

| | | in EUR thousand | |
|---|---|---|---|
| | | 31/05/2018 | 31/05/2017 |
| | **Net profit or loss for the financial year** | **13,742** | **8,007** |
| + | Net profit brought forward | 29,914 | 22,100 |
| | Long-term deferred development expenses at the balance sheet cut-off date | -7,462 | -4,556 |
| | **Balance sheet profit - non-allocated** | **36,194** | **25,551** |

# 2.5 STATEMENT OF CHANGES IN EQUITY

*a) for the period: 01/06/2017 – 31/05/2018* *in EUR thousand*

| | Called–up capital | Capital reserves | Revenue reserves | Other revenue reserves | Reserves from revaluation at fair value | Net profit or loss brought forward | Net profit or loss for the financial year | Total equity |
|---|---|---|---|---|---|---|---|---|
| | I | II | | III | V | VI | VII | |
| | Share capital | Capital reserves | Statutory reserves | Other revenue reserves | Reserves from revaluation at fair value | Net profit brought forward | Net profit for the year | |
| | **I/1** | **II** | **III/1** | **III/5** | **V** | **VI/1** | **VII/1** | |
| **A.1. AS AT 31 MAY 2017** | **7,418** | **15,096** | **742** | **8,908** | **-239** | **22,100** | **8,007** | **62,032** |
| **A.2. OPENING BALANCE AS AT 1 JUNE 2017** | **7,418** | **15.096** | **742** | **8,908** | **-239** | **22,100** | **8,007** | **62,032** |
| **B.2. Total comprehensive income for the accounting period** | **0** | **0** | **0** | **0** | **-511** | **-193** | **13,742** | **13,038** |
| a) Entry of net profit or loss for the reporting period | | | | | | | 13.742 | 13.742 |
| d) Other elements of comprehensive income in the reporting period | | | | | -511 | -193 | | -704 |
| **B.3. Changes in equity** | **0** | **0** | **0** | **0** | **0** | **8,007** | **-8,007** | **0** |
| a) Allocation of the remaining net profit for the comparative period to other equity components | | | | | | 8,007 | -8,007 | 0 |
| **C. CLOSING BALANCE AS AT 31 MAY 2018** | **7,418** | **15,096** | **742** | **8,908** | **-750** | **29,914** | **13,742** | **75,070** |

*b) or the period: 01/06/2016 – 31/05/2017* *in EUR thousand*

| | Called–up capital | Capital reserves | Revenue reserves | Other revenue reserves | Reserves from revaluation at fair value | Net profit or loss brought forward | Net profit or loss for the financial year | Total equity |
|---|---|---|---|---|---|---|---|---|
| | I | II | III | | V | VI | VII | |
| | Share capital | Capital reserves | Statutory reserves | Other revenue reserves | Reserves from revaluation at fair value | Net profit brought forward | Net profit for the year | |
| | I/1 | II | III/1 | III/5 | V | VI/1 | VII/1 | |
| **A.1. AS AT 31 MAY 2016** | **7,418** | **15,096** | **742** | **8,908** | **-50** | **17,190** | **6,910** | **56,214** |
| **A.2. OPENING BALANCE AS AT 1 JUNE 2016** | **7,418** | **15,096** | **742** | **8,908** | **-50** | **17,190** | **6,910** | **56,214** |
| **B.1. Changes in equity - transactions with owners** | **0** | **0** | **0** | **0** | **0** | **-2.000** | **0** | **-2.000** |
| g) Payment of participation in profit | | | | | | -2.000 | | -2.000 |
| **B.2. Total comprehensive income for the accounting period** | **0** | **0** | **0** | **0** | **-189** | **0** | **8,007** | **7,818** |
| a) Entry of net profit or loss for the reporting period | | | | | | | 8,007 | 8,007 |
| d) Other elements of comprehensive income in the reporting period | | | | | -189 | | | -189 |
| **B.3. Changes in equity** | **0** | **0** | **0** | **0** | **0** | **6,910** | **-6,910** | **0** |
| a) Allocation of the remaining net profit for the comparative period to other equity components | | | | | | 6,910 | -6,910 | 0 |
| **C. CLOSING BALANCE AS AT 31 MAY 2017** | **7,418** | **15,096** | **742** | **8,908** | **-239** | **22,100** | **8,007** | **62,032** |

# 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Financial statements for the period from 01/06/2017 to 31/05/2018 were audited, the opinion was issued without reservation. The financial statements were audited by KPMG Slovenija d.o.o. since 1994.*

## BASIS FOR COMPILING THE FINANCIAL STATEMENTS

The financial statements and the notes to the statements in this report have been compiled in accordance with Slovenian Accounting Standards 2016. In their compilation the following fundamental accounting assumptions were taken into account: accrual basis and going concern.

The qualitative characteristics of financial statements and thus entire accounting are above all understandability, relevance, reliability, and comparability.

The financial statements were drawn up in euros and rounded to a thousand units.

In the balance sheet and the income statement, accounting items expressed in a foreign currency were converted into euros using the exchange list of the Bank of Slovenia - reference exchange rate of the European Central Bank. Any positive or negative exchange rate differentials resulting from foreign currency translation or exchange are included in the income statement under financial revenues and expenses.

When disclosing and evaluating the items, the provisions of the Slovenian Accounting Standards were applied directly, except for evaluation of those items in which the Standards offer several methods of evaluation. The Company applied the accounting principles described below.

## PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Upon initial recognition intangible fixed assets and property, plant and equipment are posted at their acquisition cost reduced by accrued straight-line depreciation.

The acquisition cost of intangible fixed assets and property, plant and equipment includes the purchase price and the sum of all expenses and costs incurred in the process of putting the asset into use (development project).

Intangible fixed assets and property, plant and equipment are not subject to book-keeping recording, if they are disposed of or destroyed, i.e. no use can be expected from them any more. The difference between the net disposal proceeds and the carrying amount of an item of property, plant and equipment disposed of shall be recognised as revaluation operating revenue if the net disposal proceeds exceed the carrying amount, or as operating expenses if the carrying amount exceeds the net disposal proceeds.

Subsequent expenses related to an item of property, plant and equipment represent improvements that ought to be added to the purchase value, provided they increase the future benefits from the existing assets beyond their previously assessed standard of performance. Repairs or maintenance of property, plant and equipment are carried out to restore or maintain future economic benefits expected on the basis of the originally assessed standard of performance of the assets. As such, they are recognised as an expense when incurred.

Intangible assets are not revalued due to upward revaluation.

Under intangible assets the Company also discloses long-term deferred development costs from individual development projects under the conditions stated below. On 01/06/2017 they were expanded as follows:

- A customer's order must be available with clear proof of customer allocation (i.e. a new 6-digit number - material family).
- Project return must meet the following criteria:

| The ratio of customer payment for a specific project in terms of TTO | Return criterion |
|---|---|
| 0-5% | 2% |
| 5-10% | 3% |
| 10-25% | 5% |
| 25-50% | 10% |
| 50-100% | 20% |
| >100 % | Not capitalised |

- Net present value of a project must be EUR 300 thousand or higher.
- The sum of all costs – of external services and internal costs that can be supported by proof – has to be at least EUR 100,000 higher than the revenues earned from the customers for the development activity.
- The exception is new technologies.

Based on the applicable SAS, the Company started including the investments in foreign-owned property, plant and equipment among property, plant and equipment in the financial year 2010/2011. These primarily include investments in foreign-owned tools used by the Company for creating products.

### *Depreciation/amortisation*

The value of a property, plant and equipment and intangible fixed assets which is not written off is reduced by depreciation.
Depreciation of an item of property, plant and equipment begins on the first day of the month following the month of the beginning of the activity for which it is intended.

Depreciation of intangible asset shall begin on the first day of the month following the date when the intangible asset with finite useful life is available for use.

Intangible assets and property, plant and equipment are depreciated individually, based on the straight-line depreciation method.

Land is not depreciated.

*Depreciation rates:*

| | |
|---|---|
| Intangible assets | 25.00% |
| Long-term deferred development expenses | 20.00% |
| Buildings | 2.50% |
| Apartments | 5.00% |
| Computer equipment | 33.33% |
| Transport equipment in production | 12.50–20.00% |
| Passenger cars | 25.00% |
| Production equipment | 20.00% |
| Tools in production | 33.33% |
| Other equipment | 10.00–20.00% |
| Investment in property, plant and equipment of others - buildings<br>Third-party property, plant and equipment | 2.50%<br>from SOP[2] to EOP[3] |

## RECEIVABLES

Receivables of all categories are initially disclosed as amounts recorded in the relevant documents under the assumption that they will be collected. Foreign-currency claims are converted based on the exchange rate list of the Bank of Slovenia - at the reference exchange rate of the Central European Bank and the difference is posted under financial revenues or expenses.

Subsequent increases or reductions in receivables increase financial revenues or expenses, respectively. Any increases or reductions must be supported by adequate documents.

Value adjustments are established by assessing the maturity structure of receivables, as follows:

- 50% value adjustment is made for receivables more than 365 days overdue;
- 99% value adjustment is made for receivables subject to dispute;
- no value adjustments are established for receivables due from the companies in the Hella Group.

When justified on the basis of a relevant document, the required receivable write-off is offset against a value adjustment.

## INVENTORIES

A unit of inventories of material and merchandise should be stated at cost of purchase at initial recognition; the cost of purchase includes the purchase price, including import duties and non-refundable purchase taxes, and any indirect purchase costs. The moving average method is applied in the reduction of inventories of material and merchandise.

A unit of product and work-in-progress should be initially measured and recognised at production cost which are composed of direct material costs, direct labour costs, direct costs of depreciation and services, and a relevant share of general production costs. Fixed prices are used for the inventories of products and work in progress. Variances are accounted for separately, by groups of related items of inventories.

2 SOP – start of production
3 EOP – end of production

Inventories will be revalued to account for impairment if their carrying amount exceeds their net realisable value. In order to determine the net recoverable value of inventories, the Company analyses individual types of inventories at market purchase price and by age structure and writes them off according to the following criteria:

| **Scope of coverage / in months** | **12** | **24** | **48** | **96** |
|---|---|---|---|---|
| **% of value adjustment** | 20.00% | 40.00% | 60.00% | 80.00% |

## CASH ASSETS

Cash assets are cash on hand.

Domestic-currency cash assets are posted at their nominal value. Foreign currencies are converted into domestic currency on the day of receipt based on the exchange rate list of the Bank of Slovenia - at the reference exchange rate of the Central European Bank. Foreign account balances are converted into domestic currency based on the exchange rate list of the Bank of Slovenia - at the reference exchange rate of the Central European Bank as at the balancing day. Exchange rate differentials are a constituent part of financial revenues or expenses.

## CAPITAL

The total capital of an enterprise should be classified as share capital, capital reserves, revenue reserves, reserves arising from the valuation at fair value, profit or loss brought forward from previous periods and undistributed profit or loss of the financial year. Capital is posted in domestic currency.

## PROVISIONS

Provisions are established for retirement benefits and long-service bonuses. Additional provisions are established against costs or equity or existing provisions are reduced to the credit of revenues at the end of the financial year, based on the actuarial calculation.
Provisions are also established for other purposes: provisions for issued guarantees, onerous contracts, patent rights and long-term accrued costs arising from lawsuits.

The basis for the calculation of provisions for warranty repairs are actual costs incurred in the past period, multiplied by the WR factor (*warranty return*) 1.29.

## LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES

Long-term accrued costs and deferred revenues are established on account of long-term deferred revenues not included in the income statement; they will be taken into account in a period of more than one year. They are established in the amount of donations obtained for specific purposes and repayments of acquired fixed assets. These are made to cover the depreciation costs and are used up by recognising them as operating revenues.

The Company recognises the accrued costs and deferred revenues related to state and EU grants (subsidies) upon the issue of request each time. Provisions are only used for items of the type for which they were originally recognised.

Long-term provisions from received financial incentives because of exceeded quota of the employed disabled persons are used for covering eligible costs related to disabled persons.

## LIABILITIES

Initially, short- and long-term liabilities of all categories are posted at amounts recorded in the underlying documents, assuming that the creditors demand their payment.

At a later stage, long-term liabilities may be increased by the amount of accrued benefits (interest or other compensations), if an agreement has been made to that effect with the creditor. Accrued interest on long-term liabilities is an item of financial expenses. At a later stage, long-term liabilities may be increased by the amount of accrued benefits (interest or other compensations), if an agreement has been made to that effect with the creditor. They are also reduced by the part falling due in less than one year. This part is disclosed under short-term liabilities.

Long-term liabilities to foreign legal entities or natural persons should be translated into expressions of domestic currency at the exchange rate effective on their date of origin. The exchange rate differential generated by the settlement date and/or the balance sheet date shall be disclosed as an item of financial revenues or expenses.
At a later stage, short-term liabilities may be directly increased or decreased on the basis of payments or settlement by the amount determined in agreement with the creditor. Subsequent increases in short-term debt increase the corresponding operating or financial expenses.

## SHORT-TERM ACCRUED AND DEFERRED ITEMS

Deferred costs and accrued revenues comprise short-term deferred costs and short-term accrued revenues, which the Company has not charged yet to the customers, but which are part of the revenues. Short-term deferred costs include amounts that are initially not debited against the activity the Company is engaged in.
Accruals and deferred revenues comprise accrued costs and short-term deferred revenues - already accrued, which are not yet part of the revenues. Deferred expenses consist of costs that are expected but have not yet occurred and are related to the accounting period.

## RECOGNITION OF REVENUES

Revenues are recognised if they increase in economic benefits during the accounting period are associated with increases in assets or decreases in liabilities and those increases can be reliably measured.

Revenues are recognised when it is justifiably estimated that they will result in actual inflows if these are not achieved upon origin.

### *Operating revenues*

Revenues from the sale of products, merchandise and materials are measured at selling prices stated in invoices or other documents, less discounts and rebates approved either when the sale is made or subsequently, including those granted for early payment.

Revenues from the rendering of services, other than services from which financial revenue is earned, are measured at the selling prices of services completed, or at the selling prices of uncompleted services with respect to the stage of their completions.

Operating revenues from used provisions upon the acquisition of property, plant and equipment occur simultaneously with the accrued costs of depreciation of such property, plant and equipment.

Revaluation operating income is the result of sale of intangible assets and property, plant and equipment.

Revenues from revaluation adjustments also arise from the repayment of receivables for which the Company established value adjustments in the past.

### *Financial revenues*

Finance revenues arise in relation to receivables. Financial revenues are recognised upon accounting, regardless of the resulting inflows, unless there exists a reasonable doubt as to their size, maturity and repayment.

### *Other revenues*

Other revenues are comprised of extraordinary items. They are disclosed in actual amounts.

## RECOGNITION OF EXPENSES

Expenses are recognised if decreases in economic benefits during the accounting period are associated with a decrease in assets or an increase in liabilities and the respective change can be measured reliably.

### *Operating expenses*

Operating expenses are recognised once costs are no longer held in inventories of products and work in progress or once merchandise has been sold.

Operating expenses are in principle equal to the calculated cost of the accounting period, increased by the cost held in the opening inventories of products and work in progress, and reduced by the cost held in the closing inventories of products and work in progress. Operating expenses include the purchase value of sold merchandise and material.

Revaluation operating expenses are recognised as soon as the relevant revaluation has been carried out, irrespective of their impact on profit or loss.

Revaluation operating expenses from revaluation arise in connection to intangible fixed assets and property, plant and equipment, and current operating assets due to their impairment.

### *Financial expenses*

Financial expenses are expenses for financing. Financial expenses are recognised when accrued, irrespective of related payments.

### *Other expenses*

Other expenses consist of unusual items, posted in the actual amounts.

## ESTABLISHMENT OF DEFERRED TAXES

The Company calculates the deferred tax using the balance sheet liability method, focusing on temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.
The consequences of taxable temporary differences are shown in the liabilities for deferred tax and the consequences of deducted temporary differences in the receivables for deferred tax.

## CORPORATE INCOME TAX ACCOUNTING

The tax base for corporate income tax is the profit established on the basis of the income statement prepared for the business purposes based on the law and the applicable SAS and corrected in accordance with the provisions of the Corporate Income Tax Act.

## CASH FLOW STATEMENT

Cash flow statement (indirect method) consists of data from the balance sheet as at 31/05/2017 and the balance sheet as at 31/05/2018 and of data from the profit and loss account for the financial year from 01/06/2017 to 31/05/2018 plus any other data required for appropriate adjustment of receipts and disbursements and for adequate breakdown of significant items.

# 4. CLASSIFICATION AND NOTES TO FINANCIAL STATEMENTS

## 4.1 BALANCE SHEET AS AT 31/05/2018

### *4.1.1 Intangible assets and long-term deferred costs and accrued revenue* *EUR 7,582 thousand*

Intangible assets comprise long-term property rights in the amount of EUR 120 thousand and long-term deferred development costs in the amount of EUR 7,462 thousand.

in EUR thousand

| | 31/05/2018 | 31/05/2017 |
|---|---|---|
| Long-term property rights | 120 | 250 |
| Long-term deferred development expenses | 7,462 | 4,556 |
| **Total** | **7,582** | **4,806** |

*Changes in intangible assets in 2017/2018*

in EUR thousand

| | Long-term property rights - intangible assets | Long-term deferred development expenses | Total |
|---|---|---|---|
| **Cost** | | | |
| **Balance as at 01/06/2017** | **1,142** | **13,857** | **14,999** |
| Increases | 46 | 3,765 | 3,811 |
| Decreases | -350 | 0 | -350 |
| **Balance as at 31/05/2018** | **838** | **17,622** | **18,460** |
| **Value adjustment** | | | |
| **Balance as at 01/06/2017** | **892** | **9,301** | **10,193** |
| Decreases | -349 | 0 | -349 |
| Depreciation/amortisation | 175 | 859 | 1,034 |
| **Balance as at 31/05/2018** | **718** | **10,160** | **10,878** |
| **Carrying amount** | | | |
| **Balance as at 01/06/2017** | **250** | **4,556** | **4,806** |
| **Balance as at 31/05/2018** | **120** | **7,462** | **7,582** |

### *Changes in intangible assets in 2016/2017*

in EUR thousand

| | Long-term property rights - intangible assets | Long-term deferred development expenses | Total |
|---|---|---|---|
| **Cost** | | | |
| **Balance as at 01/06/2016** | **1,078** | **11,801** | **12,879** |
| Increases | 87 | 2,056 | 2,143 |
| Decreases | -23 | 0 | -23 |
| **Balance as at 31/05/2017** | **1,142** | **13,857** | **14,999** |
| **Value adjustment** | | | |
| **Balance as at 01/06/2016** | **737** | **8,497** | **9,234** |
| Decreases | -23 | 0 | -23 |
| Depreciation/amortisation | 178 | 804 | 982 |
| **Balance as at 31/05/2017** | **892** | **9,301** | **10,193** |
| **Carrying amount** | | | |
| **Balance as at 01/06/2016** | **341** | **3,304** | **3,645** |
| **Balance as at 31/05/2017** | **250** | **4,556** | **4,806** |

### *4.1.2 Property, plant and equipment* *EUR 111,434 thousand*

in EUR thousand

| | 31/05/2018 | 31/05/2017 |
|---|---|---|
| Land | 2,248 | 2,248 |
| Buildings | 20,605 | 20,211 |
| Production plant and machinery | 60,494 | 60,433 |
| Other plant and equipment | 1,616 | 1,312 |
| Advances for the acquisition of property, plant and equipment | 400 | 445 |
| Property, plant and equipment being acquired | 26,071 | 21,552 |
| **Total** | **111,434** | **106,201** |

## *Changes in property, plant and equipment in 2017/2018*

in EUR thousand

| | Land | Buildings | Production plant and machinery | Other plant and equipment | Property, plant and equipment being acquired | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance as at 01/06/2017** | **2,248** | **36,089** | **188,513** | **3,696** | **21,552** | **252,098** |
| Increases | 0 | 0 | 864 | 522 | 33,341 | 34,727 |
| Activation | 0 | 1,363 | 27,157 | 302 | -28,822 | 0 |
| **Decreases** | **0** | **-34** | **-3,548** | **-284** | **0** | **-3,866** |
| **Balance as at 31/05/2018** | **2,248** | **37,418** | **212,986** | **4,236** | **26,071** | **282,959** |
| **Value adjustment** | | | | | | |
| **Balance as at 01/06/2017** | **0** | **15,878** | **128,080** | **2,384** | **0** | **146,342** |
| Decreases | 0 | -25 | -2,968 | -278 | 0 | -3,271 |
| Depreciation/ amortisation | 0 | 960 | 27,380 | 514 | 0 | 28,854 |
| **Balance as at 31/05/2018** | **0** | **16,813** | **152,492** | **2,620** | **0** | **171,925** |
| **Carrying amount** | | | | | | |
| **Balance as at 01/06/2017** | **2,248** | **20,211** | **60,433** | **1,312** | **21,552** | **105,756** |
| **Balance as at 31/05/2018** | **2,248** | **20,605** | **60,494** | **1,616** | **26,071** | **111,034** |

## *Changes in property, plant and equipment in 2016/2017*

in EUR thousand

| | Land | Buildings | Production plant and machinery | Other plant and equipment | Property, plant and equipment being acquired | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance as at 01/06/2016** | **2,248** | **34,788** | **165,666** | **3,119** | **16,070** | **221,891** |
| Account reclassification | 0 | 279 | -279 | 0 | 0 | 0 |
| Increases | 0 | 0 | 655 | 583 | 34,245 | 35,483 |
| Activation | 0 | 1,029 | 27,734 | 0 | -28,763 | 0 |
| Decreases | 0 | -7 | -5,263 | -6 | 0 | -5,276 |
| **Balance as at 31/05/2017** | **2,248** | **36,089** | **188,513** | **3,696** | **21,552** | **252,098** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Value adjustment** | | | | | | |
| **Balance as at 01/06/2016** | **0** | **14,947** | **101,722** | **1,889** | **0** | **118,558** |
| Account reclassification | 0 | 18 | -18 | 0 | 0 | 0 |
| Decreases | 0 | -7 | -1,936 | -5 | 0 | -1,948 |
| Depreciation/ amortisation | 0 | 920 | 28,312 | 500 | 0 | 29,732 |
| **Balance as at 31/05/2017** | **0** | **15,878** | **128,080** | **2,384** | **0** | **146,342** |
| **Carrying amount** | | | | | | |
| **Balance as at 01/06/2016** | **2,248** | **19,841** | **63,944** | **1,230** | **16,070** | **103,333** |
| **Balance as at 31/05/2017** | **2,248** | **20,211** | **60,433** | **1,312** | **21,552** | **105,756** |

The table Changes in property, plant and equipment in 2017/2018 does not include paid advances for property, plant and equipment, which stood at EUR 445 thousand on 01/06/2017 and EUR 400 thousand on 31/05/2018.

The amount invested in property, plant and equipment totalling EUR 34,727 thousand is related to the purchase of equipment for new production programmes, investments in third-party tools, upgrading of equipment for existing production programmes and real estate renovation.

Liabilities for property, plant and equipment stood at EUR 7,599 thousand as at 31/05/2018.
The Company has no property, plant and equipment pledged as security for the liabilities.
The Company has no assets in financial leasing.

### *4.1.3 Deferred tax assets* *EUR 6,841 thousand*

Deferred tax assets are established in the amount of EUR 6,841 thousand as shown in the table below. Compared to the previous year, deferred taxes increased by a total of EUR 1,324 thousand.

*Changes in deferred corporate income tax assets for 2017/2018*

in EUR thousand

| Item | 01/06/2017 | Establishment | Disbursement | Cancellation | 31/05/2018 |
|---|---|---|---|---|---|
| Receivables from the provisions for long-service bonuses and severance pay upon retirement | 428 | 104 | -23 | 0 | 509 |
| Receivables from surplus depreciation | 4,981 | 1,130 | -34 | 0 | 6,077 |
| Receivables from the provisions for issued guarantees | 75 | 41 | 0 | 0 | 116 |
| Receivables from the provisions for onerous contracts | 33 | 127 | 0 | -21 | 139 |
| **Total deferred tax assets** | **5,517** | **1,462** | **-57** | **-21** | **6,841** |

### *Changes in deferred corporate income tax assets for 2016/2017*

in EUR thousand

| Item | 01/06/ 2016 | Establishment | Disbursement | 31/05/2017 |
|---|---|---|---|---|
| Receivables from the provisions for long-service bonuses and severance pay upon retirement | 348 | 80 | 0 | 428 |
| Receivables from surplus depreciation | 2,853 | 2,128 | 0 | 4,981 |
| Receivables from the provisions for issued guarantees | 64 | 11 | 0 | 75 |
| Receivables from the provisions for onerous contracts | 0 | 33 | 0 | 33 |
| **Total deferred tax assets** | **3,265** | **2,252** | **0** | **5,517** |

### *4.1.4 Inventories* *EUR 21,466 thousand*

in EUR thousand

| | 31/05/2018 | 31/05/2017 |
|---|---|---|
| **Raw and other material** | **13,091** | **12,626** |
| **Work in progress** | **3,439** | **3,322** |
| **Products and merchandise** | **4,934** | **3,696** |
| **Of which:** | | |
| ▸ *products* | *4,798* | *3,435* |
| ▸ *merchandise* | *97* | *221* |
| ▸ *tools* | *39* | *39* |
| **Advances for inventories** | **2** | **3** |
| **Total** | **21,466** | **19,647** |

All inventories purchased from the companies in the Hella Group totalled EUR 2,132 thousand as at 31/05/2018.
The Company wrote off inventories in the amount of EUR 195 thousand due to the changes in the value of material, finished products and merchandise.
The final write-off of inventories based on the proposal of the inventory-taking committee amounted to EUR 704 thousand.

During stock-taking in the financial year, the Company established surpluses and deficits of raw materials, materials and semi-finished products, namely EUR 561 thousand of deficits and EUR 307 thousand of surpluses.
The Company has no inventories pledged as security for the liabilities.
The net recoverable value of inventories is not lower than their book value.

### *4.1.5 Current operating receivables* *EUR 69,571 thousand*

in EUR thousand

| | 31/05/2018 | 31/05/2017 |
|---|---|---|
| Current operating receivables due from Group members | 14,307 | 16,874 |
| Current trade receivables | 52,113 | 41,504 |
| Current operating receivables due from others | 3,151 | 1,994 |
| **Total** | **69,571** | **60,372** |

Current operating receivables due from regular customers are not secured nor are receivables pledged as collateral for liabilities.

The maturity structure of current trade receivables based on the maturity date as at the end of May 2018 was the following: of the total of EUR 66,420 thousand trade receivables, EUR 6,465 thousand were overdue receivables. Receivables overdue between 1 and -60 days totalled EUR 2,507 thousand, those overdue between 61 and -360 days totalled EUR 3,481 thousand and those older than one year totalled EUR 477 thousand.

Current operating receivables to other in the amount of EUR 3,151 thousand were related to:

- receivables for the repayment of value added tax in Slovenia, in the amount of EUR 2,495 thousand,
- receivables for the repayment of value added tax in the EU, in the amount of EUR 288 thousand,
- granted short-term security deposits in the amount of EUR 165 thousand,
- travel expense advances in the amount of EUR 25 thousand,
- receivables due from the Health Insurance Institute of Slovenia in the amount of EUR 1 thousand,
- granted advances to suppliers in the amount of EUR 176 thousand,
- other short-term receivables in the amount of EUR 1 thousand.

### *4.1.6 Cash assets* *EUR 129 thousand*

Cash assets comprise cash on bank accounts in the amount of EUR 129 thousand. In the financial year concerned, the Company had no overdraft in the bank.

### *4.1.7 Deferred costs and accrued revenues* *EUR 1,735 thousand*

Deferred costs and accrued revenues comprise deferred costs of insurance, in the amount of EUR 36 thousand, building land fee in the amount of EUR 356 thousand, short-term deferred costs of holiday allowance in the amount of EUR 1,259 thousand and other short-term deferred costs in the amount of EUR 84 thousand.

### *4.1.8 Capital* *EUR 75,070 thousand*

in EUR thousand

| | | | 31/05/2018 | 31/05/2017 |
|---|---|---|---|---|
| I. | | Called–up capital | 7,418 | 7,418 |
| | 1. | Share capital | 7,418 | 7,418 |
| II. | | Capital reserves | 15,096 | 15,096 |
| III. | | Revenue reserves | 9,650 | 9,650 |
| | 1. | Statutory reserves | 742 | 742 |
| | 4. | Other revenue reserves | 8,908 | 8,908 |
| V. | | Reserves from revaluation at fair value | -750 | -239 |
| VI. | | Net profit or loss brought forward | 29,914 | 22,100 |
| VIII. | | Net profit or loss for the financial year | 13,742 | 8,007 |
| | | **Total** | **75,070** | **62,032** |

In the financial year concerned, the value of capital increased by EUR 13,038 thousand.

## CALLED–UP CAPITAL

### *Share capital*

Hella Saturnus Slovenija d.o.o. is 100% owned by Hella GmbH & Co. KGaA.

## CAPITAL RESERVES

In the process of ownership transformation of the Company, capital reserves have been set up from paid-in capital surplus in the amount of EUR 1,258 thousand. In 2013, additional capital reserves were established in the amount of EUR 5,668 thousand, arising from the surplus payment of 10% increase in share capital. Capital reserves obtained on the basis of surplus capital payments totalled EUR 6,926 thousand. A part of capital reserves is also the general capital revaluation adjustment in the amount of EUR 8,170 thousand, which was transferred among the capital reserves on 01/06/2006 in accordance with the new SAS 2006.

As at 31/05/2018 the total value of capital reserves amounted to EUR 15,096 thousand. Capital reserves have not changed much in this financial year.

## REVENUE RESERVES

Reserves from profits are withheld amounts from the profits of previous years and are intended for the settlement of possible future losses. They must be classified into legal reserves, reserves for own shares or interests, statutory reserves and other revenue reserves.

### *Statutory reserves*

As at 31/05/2018, the Company had established statutory reserves accounting for 10% of its share capital (EUR 742 thousand).

### *Other revenue reserves*

The Company had EUR 8,908 thousand of other revenue reserves.

## RESERVES FROM REVALUATION AT FAIR VALUE

In its books of account, the Company disclosed reserves arising from revaluation at fair value in the amount of EUR -750 thousand, namely EUR -829 thousand of actuarial result and EUR 79 thousand of deferred taxes arising from severance pay upon retirement.

# NET PROFIT OR LOSS FOR THE FINANCIAL YEAR

In the financial year 2017/2018, the Company generated net profit in the amount of EUR 13,742 thousand.

### *4.1.9 Provisions and long-term accrued costs and deferred revenues* *EUR 31,484 thousand*

Provisions for severance pay upon retirement and long-service bonuses totalled EUR 5,365 thousand as at 31/05/2018, namely EUR 4,017 thousand for severance pay and EUR 1,348 thousand for long-service bonuses. During the year, EUR 231 thousand of provisions was spent and the actuarial deficit is EUR 733 thousand. Additional provisions were established in the amount of EUR 213 thousand, debited to revenues, at the end of the financial year, based on the actuarial calculation. The actuarial calculation as at 31/05/2018 took into account the discount interest rate of 1.93% and the total salary growth of 2.5% annually in 2018 and 2.5% annually in the following years (estimated long-term salary growth). In addition, the following employee fluctuation was taken into account:

| Age class | Fluctuation 2012–2018 |
|---|---|
| **up to 30 years** | 3.00% |
| **31-40 years** | 2.00% |
| **41-50 years** | 1.00% |
| **51-60 years** | 0.25% |
| **61 years and over** | 0.00% |

*Changes in provisions for long-service bonuses and severance pay upon retirement for 2017/2018*

in EUR thousand

| Item | 01/06/2017 | Establishment | Disbursement | Act. prof./loss | 31/05/2018 |
|---|---|---|---|---|---|
| **Provisions for long-service bonuses** | 1,147 | 116 | -128 | 213 | 1,348 |
| **Provisions for severance pay upon retirement** | 3,353 | 247 | -103 | 520 | 4,017 |
| **Total** | **4,500** | **363** | **-231** | **733** | **5,365** |

*Changes in provisions for long-service bonuses and severance pay upon retirement for 2016/2017*

in EUR thousand

| Item | 01/06/2016 | Establishment | Disbursement | Actuar. prof./ loss | 31/05/2017 |
|---|---|---|---|---|---|
| **Provisions for long-service bonuses** | 1,068 | 111 | -89 | 57 | 1,147 |
| **Provisions for severance pay upon retirement** | 2,968 | 218 | -94 | 261 | 3,353 |
| **Total** | **4,036** | **329** | **-183** | **318** | **4,500** |

*Changes in other provisions in 2017/2018*

in EUR thousand

| Item | 01/06/2017 | Establishment | Cancellation | Disbursement | 31/05/2018 |
|---|---|---|---|---|---|
| **Provisions for onerous contracts** | 345 | 1,338 | -217 | 0 | 1,466 |
| **Provisions for complaints in warranty period** | 790 | 431 | 0 | 0 | 1,221 |
| **Other provisions for long-term accrued costs** | 221 | 0 | 0 | -68 | 153 |
| **Total** | **1,356** | **1,769** | **-217** | **-68** | **2,840** |

*Changes in other provisions in 2016/2017*

in EUR thousand

| Item | 01/06/2016 | Establishment | Cancellation | 31/05/2017 |
|---|---|---|---|---|
| **Provisions for onerous contracts** | 315 | 216 | -186 | 345 |
| **Provisions for complaints in warranty period** | 749 | 41 | 0 | 790 |
| **Other provisions for long-term accrued costs** | 221 | 150 | -150 | 221 |
| **Total** | **1,285** | **407** | **-336** | **1,356** |

*Changes in long-term accrued costs and deferred revenues for 2017/2018*

in EUR thousand

| Item | 01/06/2017 | Establishment | Disbursement | 31/05/2018 |
|---|---|---|---|---|
| **Received state aids** | 23 | 0 | -1 | 22 |
| **EU subsidies received** | 125 | 23 | -112 | 36 |
| **Acceded contributions for the disabled - equipment** | 31 | 0 | -1 | 30 |
| **FDI subsidies received** | 4,326 | 0 | -1,255 | 3,071 |
| **Other long-term accrued costs and deferred revenues** | 16,496 | 3,624 | 0 | 20,120 |
| **Total long-term accrued costs and deferred revenues** | **21,001** | **3,647** | **-1,369** | **23,279** |

*Changes in long-term accrued costs and deferred revenues for 2016/2017*

in EUR thousand

| Item | 01/06/2016 | Establishment | Disbursement | 31/05/2017 |
|---|---|---|---|---|
| **Received state aids** | 25 | 0 | -2 | 23 |
| **EU subsidies received** | 133 | 0 | -8 | 125 |
| **Acceded contributions for the disabled - equipment** | 32 | 0 | -1 | 31 |
| **FDI subsidies received** | 5,740 | 0 | -1,414 | 4,326 |
| **Other long-term accrued costs and deferred revenues** | 20,860 | 11,217 | -15,581 | 16,496 |
| **Total long-term accrued costs and deferred revenues** | **26,790** | **11,217** | **-17,006** | **21,001** |

Other long-term accrued costs and deferred revenue in the amount of EUR 20,119 thousand arise from the long-term part of deferred revenues for tools charged to the customers.

On the last day of the financial year, the Company disclosed the balance of received subsidies in the amount of EUR 3,160 thousand, most of which, namely EUR 3,072 thousand, relating to the received state grant for the promotion of foreign investments for the co-financing of eligible costs in the implementation of the investment project in Hella Saturnus Slovenija.

EUR 30 thousand of long-term provisions were established for acceded contributions for compulsory pension and disability insurance.

### *4.1.10 Current financial liabilities* *EUR 26,439 thousand*

in EUR thousand

| | 31/05/2018 | 31/05/2017 |
|---|---|---|
| **Short-term financial liabilities to group companies** | 26,439 | 28,510 |
| **Total** | **26,439** | **28,510** |

In September 2010, the companies Hella Saturnus Slovenija d.o.o. and Hella KGaA Hueck & Co. signed an agreement on the inclusion in the cash pooling system via UniCredit Bank. The interest rate is calculated monthly, based on the "overnight" reference interest rate in the EURO area – EONIA. As of 23/02/2016, the interest rate has been EONIA +0.8% p.a. for funds received and EONIA -0.125% p.a. for funds granted. The liabilities under the cash pooling facility amounted to EUR 26,439 thousand as at 31/05/2018.

Loans, raised in the Hella Group, have no special collaterals.

### *4.1.11 Current operating liabilities* *EUR 49,074 thousand*

| | 31/05/2018 | 31/05/2017 |
|---|---|---|
| **Current operating liabilities to group companies** | 14,702 | 12,599 |
| **Current operating liabilities to domestic suppliers** | 12,082 | 10,241 |
| **Current operating liabilities to suppliers abroad** | 19,320 | 16,161 |
| **Current trade payables to others** | 1,785 | 1,543 |
| **Liabilities for non-invoiced material and goods** | 1,185 | 1,731 |
| **Total** | **49,074** | **42,275** |

Other current operating liabilities of the Company include short-term operating liabilities to employees in the amount of EUR 18 thousand, liabilities arising from unused holiday leave of EUR 1,641 thousand and liabilities for output VAT in the amount of EUR 126 thousand.

The maturity structure of trade payables based on the maturity date as at the end of May 2018 was the following: of the total of EUR 45,385 thousand trade payables, EUR 1,521 thousand were overdue. Liabilities overdue between 1 and 60 days totalled EUR -485 thousand (to the credit of the Company due to received credit notes), those overdue between 61 and 360 days totalled EUR 1,981 thousand and those older than 361 days EUR 25 thousand, blocked for various grounded reasons.

### *4.1.12 Short-term accrued costs and deferred revenues* *EUR 36,691 thousand*

Short-term accrued costs and deferred revenues comprise short-term accrued costs: EUR 7,271 thousand for labour costs and the costs of posted workers, EUR 14 thousand for auditing costs, EUR 2,007 thousand for other costs related to the financial year 2017/2018 and EUR 25 thousand for the work of the Worker's Council.

Short-term accrued costs and deferred revenues also comprised short-term deferred revenues: EUR 15,792 thousand for expected reduction of sales prices relating to the financial year 2017/2018, which has not yet been taken into account in the process of issuing invoiced to customers, EUR 10,222 thousand for deferred revenues arising from tools charged to customers and EUR 1,293 thousand for deferred revenues related to projects.

EUR 67 thousand were VAT accounts related to advance payments.

### *4.1.13 Off-balance sheet assets/liabilities* *EUR 3,800 thousand*

Off-balance sheet assets and liabilities comprise:

- EUR 807 thousand of partial or total value of specific tools owned by customers,
- EUR 2,993 thousand of consignment stock owned by suppliers of plastic materials.

Compared to the previous period, the off-balance sheet records show an increase in depreciation of tools owned by customers by EUR 394 thousand, and EUR 1,007 thousand arising from consignment stock.

## 4.2 INCOME STATEMENT

Income statement is compiled on the basis of cost types and functional groups.

in EUR thousand

| | INCOME STATEMENT (Version II) | 01/06/2017 until 31/05/2018 | 01/06/2016 until 31/05/2017 |
|---|---|---|---|
| I. | Net sales revenues | 389,227 | 375,381 |
| II. | Production costs (incl. depreciation) or acquisition cost of sold goods | -277,950 | -275,329 |
| **III.** | **Gross profit or loss from sales (1-2)** | **111,277** | **100,053** |
| IV. | Distribution costs (including amortisation/depreciation) | -10,223 | -6,855 |
| V. | General and administrative expenses (including amortisation/depreciation) | -94,720 | -85,782 |
| | a) Normal general and administrative expenses | -93,801 | -82,296 |
| | b) Revaluation operating expenses related to property, plant and equipment and intangible assets | -249 | -2,639 |
| | c) Revaluation operating expenses associated with current assets | -670 | -847 |
| VI. | Other operating revenues (including revaluation operating revenues) | 6,118 | -1,384 |
| **VII.** | **Operating profit/loss** | **12,451** | **6,032** |

### *4.2.1 Net sales revenues* *EUR 389,227 thousand*

in EUR thousand

| | 01/06/2017 until 31/05/2018 | 01/06/2016 until 31/05/2017 |
|---|---|---|
| **Net revenues from the sale of products and services on the domestic market** | 6,559 | 7,498 |
| **Net revenues from the sale of material, goods and tools on the domestic market** | 7,526 | 8,610 |
| **Net revenues from the sale of products and services on the foreign market** | 273,480 | 274,563 |
| **Net revenues from the sale of products and services to Group companies** | 75,114 | 53,346 |
| **Net revenues from the sale of material, goods and tools on the foreign market** | 24,690 | 30,179 |
| **Net revenues from the sale of material, goods and tools to Group companies** | 1,858 | 1,185 |
| **Total** | **389,227** | **375,381** |

### *4.2.2 Capitalised own products and own services* *EUR 3,812 thousand*

Capitalised own products and own services totalled EUR 47 thousand, while EUR 3,765 thousand is capitalisation of development project costs.

### *4.2.3 Other operating revenues* *EUR 2,306 thousand*

Other operating revenues relate to revenues from subsidies from the state and EU grants in the amount of EUR 1,369 thousand, revaluation operating revenues in connection with fixed assets equalling EUR 412 thousand, operating revenues from adjustment of receivables and liabilities of EUR 308 thousand and revenues from reversal of provisions totalling EUR 217 thousand.

### *4.2.4 Costs of goods, material and services* *EUR 301,320 thousand*

Costs of goods and material decreased compared to last year, while the costs of material and services used increased compared to the previous year. The reason for this lies in the changed structure of product sales (more products with a higher share of material in the structure of own price).

in EUR thousand

| | **01/06/2017 until 31/05/2018** | **01/06/2016 until 31/05/2017** |
|---|---|---|
| **Cost of goods and material sold** | 14,922 | 17,873 |
| **Costs of used material** | 209,609 | 206,148 |
| **Costs of services** | 76,789 | 70,503 |
| **Total** | **301,320** | **294,524** |

### *4.2.4.1 Costs of used material, acquisition cost of sold goods and material* *EUR 224,531 thousand*

in EUR thousand

| | 01/06/2017 until 31/05/2018 | 01/06/2016 until 31/05/2017 |
|---|---|---|
| **Costs of material** | 192,233 | 189,389 |
| **Costs of auxiliary material** | 9,493 | 9,651 |
| **Energy costs** | 3,033 | 2,730 |
| **Costs of spare parts and small inventories** | 1,325 | 1,705 |
| **Other costs** | 3,524 | 2,672 |
| **Total material used** | **209,608** | **206,147** |
| **Cost of goods sold** | 684 | 1,087 |
| **Cost of material sold** | 14,239 | 16,786 |
| **Total cost of goods and materials sold** | **14,923** | **17,873** |
| **Total** | **224,531** | **224,020** |

### *4.2.4.2 Costs of services* *EUR 76,789 thousand*

in EUR thousand

| | 01/06/2017 until 31/05/2018 | 01/06/2016 until 31/05/2017 |
|---|---|---|
| **Other costs of services** | 6,229 | 4,815 |
| **Other costs of services in the Group** | 322 | 99 |
| **Work-related refunds to employees** | 884 | 795 |
| **Work-related refunds to employees in the Group** | 0 | 1 |
| **Costs of intellectual and personal services** | 1,894 | 1,011 |
| **Costs of intellectual and personal services in the Group** | 26,783 | 21,669 |
| **Costs of rents** | 1,910 | 2,144 |
| **Costs of rents in the Group** | 0 | 3 |
| **Costs of transport services** | 5,655 | 6,039 |
| **Costs of transport services in the Group** | 28 | 214 |
| **Costs of borrowed employees** | 23,432 | 22,953 |
| **Costs of services related to production** | 6,781 | 6,850 |
| **Costs of services in the manufacturing of products in the Group** | 1,478 | 1,930 |
| **Cost of maintenance services** | 1,381 | 1,865 |
| **Costs of maintenance in the Group** | 12 | 115 |
| **Total** | **76,789** | **70,503** |

Other costs of services comprise insurance premiums, costs of security, cleaning, training, bank charges, entertainment costs, advertising and publicity costs, technical services and costs of student work.

### *4.2.5 Labour costs* — *EUR 49,646 thousand*

in EUR thousand

| | 01/06/2017 until 31/05/2018 | 01/06/2016 until 31/05/2017 |
|---|---|---|
| **Payroll costs** | 35,141 | 32,585 |
| **Pension insurance costs** | 3,900 | 3,426 |
| **Costs of other social security insurance** | 2,633 | 2,304 |
| **Other labour costs** | 7,972 | 4,972 |
| **Total** | **49,646** | **43,287** |

Other labour costs mostly include the costs of annual holiday allowance, costs of transport to work and meal allowance. The costs of pension insurance comprise all accounted contributions for pension and disability insurance debited to the Company.

### *4.2.6 Write-offs* — *EUR 30,808 thousand*

in EUR thousand

| | 01/06/2017 until 31/05/2018 | 01/06/2016 until 31/05/2017 |
|---|---|---|
| **Depreciation of intangible assets and property, plant and equipment** | 29,889 | 30,714 |
| **Revaluation operating expenses in intangible assets and property, plant and equipment** | 249 | 2,639 |
| **Revaluation operating expenses - value adjustments of receivables** | 50 | 224 |
| **Revaluation operating expenses - value adjustments of inventories** | 620 | 623 |
| **Total** | **30,808** | **34,200** |

The accounted depreciation of property, plant and equipment and amortisation of intangible fixed assets amounted to EUR 29,889 thousand in this financial year. As fixed assets were written off, operating expenses from revaluation were formed in the amount of EUR 249 thousand.

Revaluation operating expenses for current assets totalled EUR 670 thousand, namely because of the write-offs of inventories and receivables.

### *4.2.7 Other operating expenses* *EUR 2,615 thousand*

Other operating expenses consist of the provisions for complaints within the warranty period in the amount of EUR 431 thousand, provisions for onerous contracts in the amount of EUR 1,338 thousand, drawing of provisions totalling EUR 68 thousand, cost of building land in the amount of EUR 643 thousand and cost of other duties and other costs amounting to EUR 271 thousand.

### *4.2.8 Financial revenues from operating receivables* *EUR 65 thousand*

Financial revenues relate to accounted exchange rate differences in the amount of EUR 62 thousand and interest income totalling EUR 3 thousand.

### *4.2.9 Financial expenses for financial liabilities* *EUR 164 thousand*

Expenses mainly comprise interest arising from loans, raised with the members of the Group, amounting to EUR 120 thousand, expenses for default interest amounting to EUR 14 thousand and expenses for other financial liabilities totalling EUR 30 thousand.

### *4.2.10 Financial expenses for operating liabilities* *EUR 150 thousand*

Financial expenses for operating liabilities amounted to EUR 65 thousand, namely exchange differences and expenses for other operating liabilities totalling EUR 85 thousand.

### *4.2.11 Other revenues* *EUR 43 thousand*

These revenues totalled EUR 43 thousand and were related to other revenues not posted under other categories of revenue (EUR 4 thousand of revenue from damage compensations and EUR 39 thousand of other revenues).

### *4.2.12 Net profit for the financial year* *EUR 13,742 thousand*

Net operating profit or loss for the period was positive, namely EUR 13,742 thousand. Profit brought forward amounted to EUR 30,107 thousand and after EUR 193 thousand of it had been used for deferred tax from actuarial gains/losses it stood at EUR 29,914 thousand. Net profit or loss and net profit brought forward were reduced by long-term deferred costs of development in the amount of EUR 7,462 thousand. As at 31/05/2018, non-allocated distributable profit amounted to EUR 36,194 thousand.

## EVENTS AFTER THE BALANCE SHEET DATE

In the period from the balancing date to the date of the auditor's report, there were no business events that would impact the balance of assets and liabilities disclosed in the financial statements for the financial year 2017/2018 or the assumption of going concern.

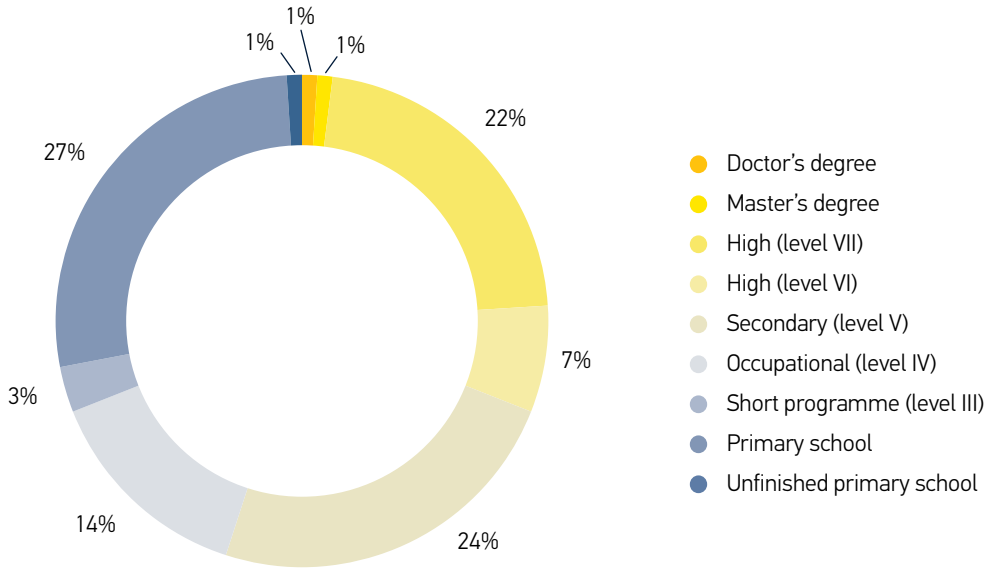
# 5. OTHER DISCLOSURES

## EMPLOYEES

As at 31/05/2018, the Company employed 1,870 persons.

| | | 31/05/2018 | | 31/05/2017 |
|---|---|---|---|---|
| | **Number** | **Structural** | **Number** | **Structural** |
| **Education level** | of employees | share in % | of employees | share in % |
| **Doctor's degree** | 22 | 1.18% | 17 | 1.08% |
| **Master's degree** | 18 | 0.96% | 20 | 1.28% |
| **High (level VII)** | 404 | 21.60% | 327 | 20.87% |
| **High (level VI)** | 130 | 6.95% | 137 | 8.74% |
| **Secondary (level V)** | 448 | 23.96% | 347 | 22.14% |
| **Occupational (level IV)** | 268 | 14.33% | 219 | 13.98% |
| **Short programme (level III)** | 49 | 2.62% | 47 | 3.00% |
| **Primary school** | 504 | 26.95% | 430 | 27.44% |
| **Unfinished primary school** | **27** | **1.44%** | **23** | **1.47%** |
| **Total** | **1,870** | **100.00%** | **1,567** | **100.00%** |

**CHART 6:** Share of employees as at 31/05/2018



**Total amount of payments received by persons for performing tasks and duties in the financial year according to Article 69 of the Companies Act (ZGD-1)**

in EUR thousand

| Groups of persons under the ZGD-1 | Gross salaries and other remuneration | Refunds of costs 2017/2018 | Gross salaries and other remuneration 2016/2017 | Refunds of costs 2016/2017 |
|---|---|---|---|---|
| **Members of the Management Board and persons employed on the basis of employment contracts to which the tariff section of the collective agreement does not apply** | 1,095 | 110 | 973 | 54 |
| **Total** | **1,095** | **110** | **973** | **54** |

All amounts are expressed in gross values not including the employer's contributions. No session fees were accounted in the financial year concerned.

Remuneration paid to the Management includes: salaries, bonuses, holiday allowance, any other remuneration and participation in profit pursuant to the resolution of the general meeting of the shareholders and cost reimbursement.

Employee remuneration based on contracts not subject to the tariff part of the agreement include salaries, bonuses, annual leave allowances, potential other remuneration (long-service bonuses, cost reimbursements). Session fees are only paid to workers' representatives. The representatives of capital are not entitled to cost reimbursements.

**Data on loans granted by the Company to groups of persons in accordance with Article 69 of the ZGD-1**

No loans have been granted to members of the Management Board, Supervisory Board and persons employed on the basis of employment contracts to which the tariff section of the agreement does not apply.

# KEY INDICATORS

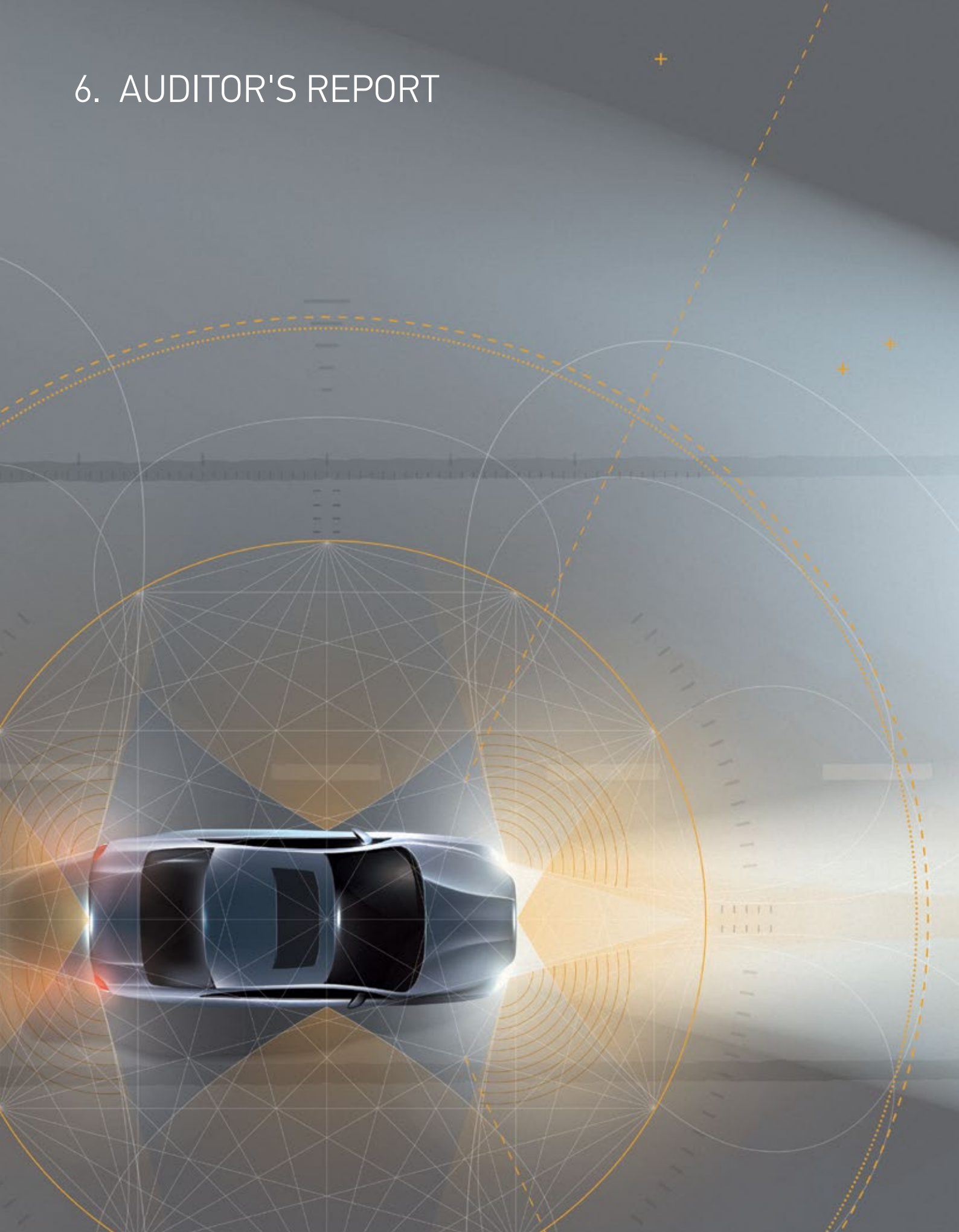
| Indicator | Calculation of rate / ratio 2017/2018 | Calculation of rate / ratio 2016/2017 |
|---|---|---|
| **Equity financing rate** | 0.34 | 0.31 |
| **Long-term financing rate** | 0.49 | 0.45 |
| **Operating fixed assets rate** | 0.54 | 0.56 |
| **Long-term investment rate** | 0.58 | 0.59 |
| **Equity to fixed assets ratio** | 0.63 | 0.56 |
| **Equity to fixed assets ratio** | 0.00 | 0.00 |
| **Quick ratio** | 0.92 | 0.85 |
| **Current ratio** | 1.21 | 1.13 |
| **Operating efficiency ratio** | 1.03 | 1.02 |
| **Operating efficiency ratio** | 0.24 | 0.16 |

# OTHER DISCLOSURES

The contractual value of the auditing service is EUR 23 thousand without VAT.

The Management Board approved the financial statements on 13/12/2018.

# 6. AUDITOR'S REPORT



KPMG Slovenija, podjetje za revidiranje, d.o.o.
Železna cesta 8a
SI-1000 Ljubljana

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Internet: http://www.kpmg.si

# Poročilo neodvisnega revizorja

## Lastniku družbe HELLA SATURNUS SLOVENIJA d.o.o

### *Mnenje*

Revidirali smo priložene računovodske izkaze HELLA SATURNUS SLOVENIJA d.o.o. Ljubljana (»družbe«), ki vključujejo bilanco stanja na dan 31. maja 2018, izkaz poslovnega izida in drugega vseobsegajočega donosa, izkaz gibanja kapitala in izkaz denarnih tokov za tedaj končano leto ter povzetek bistvenih računovodskih usmeritev in druge pojasnjevalne informacije.

Po našem mnenju so priloženi računovodski izkazi resničen in pošten prikaz finančnega položaja družbe na dan 31. maja 2018 ter njenega poslovnega izida in denarnih tokov za tedaj končano leto v skladu s Slovenskimi računovodskimi standardi (2016).

### *Podlaga za mnenje*

Revizijo smo opravili v skladu z Mednarodnimi standardi revidiranja (MSR). Naše odgovornosti na podlagi teh pravil so opisane v tem poročilu v odstavku *Revizorjeva odgovornost za revizijo računovodskih izkazov*. V skladu s Kodeksom etike za računovodske strokovnjake, ki ga je izdal Odbor za mednarodne standarde etike za računovodske strokovnjake (Kodeks IESBA) ter etičnimi zahtevami, ki se nanašajo na revizijo računovodskih izkazov v Sloveniji, potrjujemo svojo neodvisnost. Potrjujemo tudi, da smo izpolnili vse druge etične zahteve v skladu s temi zahtevami in Kodeksom IESBA.

Verjamemo, da so pridobljeni revizijski dokazi zadostna in ustrezna podlaga za naše revizijsko mnenje.

### *Druge informacije*

Za druge informacije je odgovorno poslovodstvo. Druge informacije obsegajo poslovno poročilo, ki je sestavni del letnega poročila. Druge informacije ne vključujejo računovodskih izkazov in našega revizorjevega poročila o njih.

Naše mnenje o računovodskih izkazih ne vključuje drugih informacij in razen v obsegu, ki je drugače izrecno naveden v našem poročilu, o njih ne izražamo nikakršnega zagotovila.

V povezavi z opravljeno revizijo računovodskih izkazov je naša odgovornost prebrati druge informacije in pri tem presoditi, ali so druge informacije pomembno neskladne z računovodskimi izkazi, zakonskimi zahtevami ali našim poznavanjem, pridobljenim pri revidiranju, ali se kako drugače kažejo kot pomembno napačne.

Vezano na poslovno poročilo smo presodili ali poslovno poročilo vključuje razkritja, kot jih zahteva Zakon o gospodarskih družbah (v nadaljevanju »zakonska določila«).

Na osnovi postopkov, ki smo jih opravili pri reviziji računovodskih izkazov in na osnovi zgoraj opisanih postopkov menimo:

- da so informacije v poslovnem poročilu za poslovno leto, za katero so pripravljeni računovodski izkazi, v vseh pomembnih pogledih, skladne z informacijami v računovodskih izkazih ter
- da je bilo poslovno poročilo pripravljeno v skladu z zakonskimi določili.



TRR: SI 56 2900 0000 1851 102
vpis v sodni register: Okrožno sodišče v Ljubljani
št. reg. vl.: 061/12062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI20437145
matična št.: 5648556

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Poleg tega smo v luči poznavanja in razumevanja družbe in okolja, v katerem ta posluje, ki smo ga pridobili pri opravljanju revizije, dolžni poročati, če bi zaznali pomembno napako v poslovnem poročilu in drugih informacijah, ki smo jih pridobili pred datumom izdaje tega poročila. V zvezi s tem nimamo o čem poročati.

### *Odgovornost poslovodstva in pristojnih za upravljanje za računovodske izkaze*

Poslovodstvo je odgovorno za pripravo in pošteno predstavitev računovodskih izkazov v skladu s Slovenskimi računovodskimi standardi (2016) in za tako notranje kontroliranje, kot je v skladu z odločitvijo poslovodstva potrebno, da omogoči pripravo računovodskih izkazov, ki ne vsebujejo pomembno napačne navedbe zaradi prevare ali napake.

Poslovodstvo je pri pripravi računovodskih izkazov odgovorno za oceno njene sposobnosti, da nadaljuje kot delujoče podjetje, razkritje zadev, povezanih z delujočim podjetjem in uporabo predpostavke delujočega podjetja kot osnovo za računovodenje, razen če namerava poslovodstvo podjetje likvidirati ali zaustaviti poslovanje, ali če nima druge možnosti, kot da napravi eno ali drugo.

Pristojni za upravljanje so odgovorni za nadzor nad pripravo računovodskih izkazov družbe.

### *Revizorjeva odgovornost za revizijo računovodskih izkazov*

Naši cilji so pridobiti sprejemljivo zagotovilo o tem ali so računovodski izkazi kot celota brez pomembno napačne navedbe zaradi prevare ali napake, in izdati revizorjevo poročilo, ki vključuje naše mnenje. Sprejemljivo zagotovilo je visoka stopnja zagotovila, vendar ni jamstvo, da bo revizija, opravljena v skladu z MSR, vedno odkrila pomembno napačno navedbo, če ta obstaja. Napačne navedbe lahko izhajajo iz prevare ali napake ter se štejejo za pomembne, če je upravičeno pričakovati, da posamično ali skupaj vplivajo na gospodarske odločitve uporabnikov, sprejete na podlagi teh računovodskih izkazov.

Med izvajanjem revidiranja v skladu z MSR uporabljamo strokovno presojo in ohranjamo poklicno nezaupljivost. Prav tako:

- prepoznamo in ocenimo tveganja pomembno napačne navedbe v računovodskih izkazih, bodisi zaradi napake ali prevare, oblikujemo in izvajamo revizijske postopke kot odzive na ocenjena tveganja ter pridobimo zadostne in ustrezne revizijske dokaze, ki zagotavljajo podlago za naše mnenje. Tveganje, da ne bomo odkrili napačne navedbe, ki izvira iz prevare, je višje od tistega, povezanega z napako, saj prevara lahko vključuje skrivne dogovore, ponarejanje, namerno opustitev, napačno razlago ali izogibanje notranjim kontrolam;
- se seznanimo z notranjimi kontrolami, pomembnimi za revizijo z namenom oblikovanja revizijskih postopkov, ki so okoliščinam primerni, vendar ne z namenom izraziti mnenje o učinkovitosti notranjih kontrol družbe;
- presodimo ustreznost uporabljenih računovodskih usmeritev in razumnost računovodskih ocen ter z njimi povezanih razkritij poslovodstva;
- na podlagi pridobljenih revizijskih dokazov o obstoju pomembne negotovosti glede dogodkov ali okoliščin, ki zbujajo dvom v sposobnost družbe, da nadaljuje kot delujoče podjetje, sprejmemo sklep o primernosti poslovodske uporabe predpostavke delujočega podjetja, kot podlage računovodenja. Če sklenemo, da obstaja pomembna negotovost, smo dolžni v revizorjevem poročilu opozoriti na ustrezna razkritja v računovodskih izkazih ali, če so taka razkritja neustrezna, prilagoditi mnenje. Naši sklepi temeljijo na revizijskih dokazih, pridobljenih do datuma izdaje revizorjevega poročila. Kasnejši dogodki ali okoliščine lahko povzročijo prenehanje družbe kot delujočega podjetja;
- ovrednotimo splošno predstavitev, strukturo in vsebino računovodskih izkazov vključno z razkritji ter ovrednotimo ali računovodski izkazi predstavljajo zadevne posle in dogodke na način, da je dosežena poštena predstavitev.

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Pristojne za upravljanje med drugim obveščamo o načrtovanem obsegu in času revidiranja in pomembnih revizijskih ugotovitvah vključno z morebitnimi pomanjkljivostmi notranjih kontrol, ki jih zaznamo med našo revizijo.

V imenu revizijske družbe

**KPMG SLOVENIJA,**

**podjetje za revidiranje, d.o.o.**

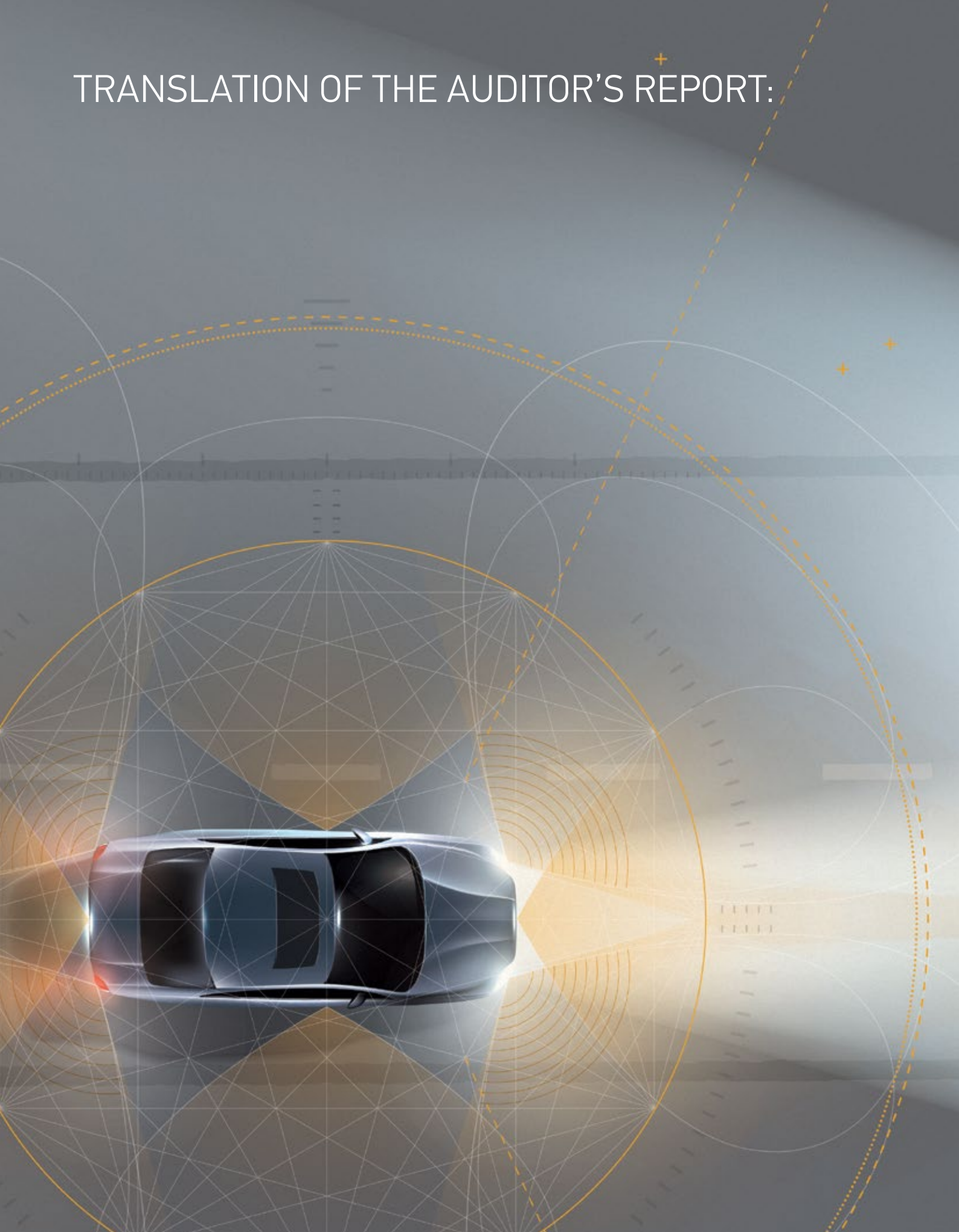
Helena Kobal
*pooblaščena revizorka*

Danilo Bukovec
*pooblaščeni revizor*
*strokovni direktor*

Ljubljana, 19. december 2018

KPMG Slovenija, d.o.o.
1

# TRANSLATION OF THE AUDITOR'S REPORT:



# REPORT OF THE INDEPENDENT AUDITOR

## For the owner of the company hella saturnus slovenija d.o.o.

### *Opinion*

We have audited the enclosed financial statements of the company HELLA SATURNUS SLOVENIJA d.o.o. ("the Company") which include the balance sheet as at 31 May 2018, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement, for the year then ended and a summary of the main accounting policy and other explanatory notes.

### *Basis for the opinion*

We conducted the audit in accordance with International Auditing Standards (IAS). Our responsibilities on the basis of these rules are described in the section Auditor's responsibility for the audit of the financial statements. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe the obtained audit evidence to present a sufficient and adequate basis for our audit opinion.

### *Other information*

The management is responsible for other information. Other information comprises the business report, which is a constituent part of the annual report. Other information does not comprise the financial statements and our auditor's report about them.

Our opinion about the financial statements includes no other information and we provide no assurance whatsoever other than in the scope expressly stated in our report.

In connection with the performed audit of the financial statements, it is our responsibility to read other information and to judge whether there are material discrepancies between such other information and the financial statements, other legal requirements and our knowledge obtained during the audit, or if the information is in any other manner materially incorrect.

In relation to the business report, we assessed whether the business report comprises the disclosures required by the Companies Act (hereinafter: the legal provisions).
Based on the procedures conducted in the scope of this audit and on the basis of the above described procedures, we believe that:

- the information in the business report for the business year for which the financial statements have been prepared are consistent with the information contained in the financial statements in all material aspects; and
- the business report had been prepared in line with the legal provisions.

Furthermore, in the light of knowing and understanding the Company and the environment in which it operates, which we obtained during the auditing process, we are obliged to report on any material misstatements in the business report and other information obtained prior to the issue of this report. There is nothing to report in this respect.

### *Responsibility of the management and governance bodies for the financial statements*

The management is responsible for the preparation and fair presentation of these financial statements according to the Slovenian Accounting Standards (2016) and for internal control needed in the opinion of the management to ensure that the financial statements are free from material misstatement, whether due to fraud or error.

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

Governance bodies are responsible for the control over the preparation of the Company's financial statements.

### *Auditor's responsibilities for the audit of the financial statements*

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

As part of an audit in accordance with the IAS, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the governance bodies, among other matters, about the planned scope and timing of the audit and significant audit findings including any potential significant deficiencies in internal control that we identify during our audit.

On behalf of the auditing company

**KPMG SLOVENIJA,**
**podjetje za revidiranje, d.o.o.**

Helena Kobal (hand-written signature)
*Certified Auditor*

Danilo Bukovec (hand-written signature)
*Certified Auditor*
*Technical Director*

Ljubljana, 19 December 2018

(company stamp)

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