SMP Automotive Exterior GmbH
Schierling

Short-form audit report
Annual financial statements and management report
31 March 2019

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft
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Auditor’s report

Financial reporting

Engagement Terms, Liability and Conditions of Use

General Engagement Terms

Note:

We have issued the auditor’s report presented below in compliance with legal and professional requirements subject to the conditions described in the enclosed “Engagement Terms, Liability and Conditions of Use.”

If an electronic version of this document is used for disclosure in the Bundesanzeiger [German Federal Gazette], only the files containing the financial reporting and, in the case of a statutory audit, the audit opinion or the report thereon are intended for this purpose.
Translation of the German independent auditor’s report concerning the audit of the annual financial statements and management report prepared in German

Independent auditor’s report

To SMP Automotive Exterior GmbH

Opinions

We have audited the annual financial statements of SMP Automotive Exterior GmbH, Schierling, which comprise the balance sheet as of 31 March 2019, and the income statement for the fiscal year from 1 April 2018 to 31 March 2019, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of SMP Automotive Exterior GmbH for the fiscal year from 1 April 2018 to 31 March 2019. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to Sec. 289f (4) HGB [“Handelsgesetzbuch”: German Commercial Code] included on the last page of the management report in section “IV. Promotion of women”.

In our opinion, on the basis of the knowledge obtained in the audit,

• the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities, and financial position of the Company as at 31 March 2019 and of its financial performance for the fiscal year from 1 April 2018 to 31 March 2019 in compliance with German legally required accounting principles, and

• the accompanying management report as a whole provides an appropriate view of the Company’s position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the statement on corporate governance referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB [“Handelsgesetzbuch”: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.
Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the annual financial statements and of the management report” section of our auditor’s report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Other information

The executive directors are responsible for the other information. The other information comprises the statement on corporate governance pursuant to Sec. 289f (4) HGB on the last page of the management report in section “IV. Promotion of women”.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.
Responsibilities of the executive directors for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

Auditor’s responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company’s position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor’s report that includes our opinions on the annual financial statements and on the management report.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, 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 opinions. 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 of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report 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 these systems of the Company.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions 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 the auditor’s report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. 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 be able to continue as a going concern.
• Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

• Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company’s position it provides.

• Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Freiburg i. Br., 19 July 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Wetzel  
Wirtschaftsprüfer  
[German Public Auditor]

Schmidt  
Wirtschaftsprüfer  
[German Public Auditor]
## Balance sheet as of 31 March 2019

<table>
<thead>
<tr>
<th>Assets</th>
<th>EUR</th>
<th>EUR k</th>
<th>31 Mar 2018</th>
<th>EUR</th>
<th>EUR k</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Intangible assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets</td>
<td>211,826.00</td>
<td>288</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>II. Property, plant and equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Land, land rights and buildings, including buildings on third-party land</td>
<td>40,139,872.71</td>
<td>41,094</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Plant and machinery</td>
<td>36,807,681.00</td>
<td>41,340</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Other equipment, furniture and fixtures</td>
<td>836,754.00</td>
<td>879</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Prepayments and assets under construction</td>
<td>2,203,355.59</td>
<td>2,452</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>III. Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares in affiliates</td>
<td>26,544.00</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B. Current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Inventories</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Raw materials, consumables and supplies</td>
<td>6,249,022.36</td>
<td>7,037</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Work in process</td>
<td>1,336,632.29</td>
<td>1,370</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Finished goods and merchandise</td>
<td>1,167,497.25</td>
<td>1,094</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>II. Receivables and other assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Trade receivables</td>
<td>6,863,012.50</td>
<td>8,075</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Receivables from affiliates</td>
<td>5,230,077.72</td>
<td>13,637</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Other assets</td>
<td>853,749.49</td>
<td>1,026</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>III. Cash on hand, bank balances and checks</strong></td>
<td>12,946,839.71</td>
<td>22,738</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>104,724,165.76</td>
<td>122,097</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity and liabilities</th>
<th>EUR</th>
<th>EUR k</th>
<th>31 Mar 2018</th>
<th>EUR</th>
<th>EUR k</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Subscribed capital</td>
<td>25,000.00</td>
<td>25</td>
<td></td>
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<td></td>
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<tr>
<td>II. Capital reserves</td>
<td>16,700,000.00</td>
<td>16,700</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>B. Provisions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Provisions for pensions and similar obligations</td>
<td>0.00</td>
<td>208</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Other provisions</td>
<td>26,766,295.16</td>
<td>20,642</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>C. Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Trade payables</td>
<td>13,448,842.16</td>
<td>21,254</td>
<td></td>
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<tr>
<td>2. Liabilities to affiliates</td>
<td>47,518,808.97</td>
<td>62,901</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>3. Other liabilities</td>
<td>265,219.47</td>
<td>367</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>61,232,870.60</td>
<td>84,522</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Notes

- All values are in EUR k.
- The balance sheet as of 31 March 2019 presents the financial position of SMP Automotive Exterior GmbH, Schierling as of that date.
- The company's assets include fixed assets, current assets, and financial assets.
- Fixed assets include intangible assets and property, plant, and equipment.
- Current assets are divided into inventories, receivables, and cash on hand.
- The equity section includes subscribed capital, capital reserves, and provisions.
- Liabilities are categorized into trade payables, liabilities to affiliates, and other liabilities.
### SMP Automotive Exterior GmbH, Schierling

**Income statement for the period from 1 April 2018 to 31 March 2019**

<table>
<thead>
<tr>
<th>Description</th>
<th>EUR 2018</th>
<th>EUR 2017/2018</th>
<th>EUR k</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Revenue</td>
<td>152,111,510.38</td>
<td>188,241</td>
<td>161,261,181.55</td>
</tr>
<tr>
<td>2. Increase (prior year: decrease) in finished goods and work in process</td>
<td>40,122.28</td>
<td>-277</td>
<td></td>
</tr>
<tr>
<td>3. Other operating income</td>
<td>9,109,548.89</td>
<td>8,170</td>
<td></td>
</tr>
<tr>
<td><strong>4. Cost of materials</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Cost of raw materials, consumables and supplies and of purchased merchandise</td>
<td>98,504,415.30</td>
<td>126,806</td>
<td>108,126,836.78</td>
</tr>
<tr>
<td>b) Cost of purchased services</td>
<td>9,622,421.48</td>
<td>16,744</td>
<td></td>
</tr>
<tr>
<td><strong>5. Personnel expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Wages and salaries</td>
<td>26,181,482.17</td>
<td>27,546</td>
<td>31,708,529.63</td>
</tr>
<tr>
<td>b) Social security, pension and other benefit costs</td>
<td>5,527,047.46</td>
<td>5,405</td>
<td></td>
</tr>
<tr>
<td><strong>6. Amortization of intangible assets and depreciation of property, plant and equipment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8,206,535.79</td>
<td>8,204</td>
<td></td>
</tr>
<tr>
<td><strong>7. Other operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>14,592,118.10</td>
<td>20,369</td>
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</tr>
<tr>
<td><strong>8. Other interest and similar income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,177.77</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td><strong>9. Interest and similar expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,490,782.29</td>
<td>3,373</td>
<td></td>
</tr>
<tr>
<td><strong>10. Earnings after taxes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-3,853,443.27</td>
<td>-12,237</td>
<td></td>
</tr>
<tr>
<td><strong>11. Other taxes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>148,557.97</td>
<td>105</td>
<td></td>
</tr>
<tr>
<td><strong>12. Income from loss absorption</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,002,001.24</td>
<td>12,342</td>
<td></td>
</tr>
<tr>
<td><strong>13. Net income for the year</strong></td>
<td></td>
<td>0.00</td>
<td>0</td>
</tr>
</tbody>
</table>
Notes to the financial statements of SMP Automotive Exterior GmbH, Schierling, for the fiscal year from 1 April 2018 to 31 March 2019

General

SMP Automotive Exterior GmbH is a subsidiary of Samvardhana Motherson Peguform GmbH, Gelnhausen (SMP GmbH).

SMP Automotive Exterior GmbH is entered in the commercial register of Regensburg local court under HRB no. B 13761. These financial statements were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for large corporations.

The income statement is classified using the nature of expense method.

Recognition and measurement policies

These financial statements were mainly prepared unchanged on the prior year in accordance with the following uniform recognition and measurement policies.

Intangible assets are carried at acquisition cost and reduced by amortization using the straight-line method. Intangible assets contain software licenses. Extraordinary write-downs to the lower of cost or market were carried out in cases where impairment is expected to be permanent. The economic useful life applied is three years.

Items of property, plant and equipment are recognized at the amortized cost of the asset including incidental acquisition costs. The costs of self-constructed assets also include a proportionate share of production-related costs of materials and production overheads as well as direct materials and production costs. Borrowing costs are not capitalized. Goods subject to wear and tear are depreciated. Extraordinary write-downs to the lower of cost or market were carried out in cases where impairment is expected to be permanent.

The depreciation of property, plant and equipment has been determined according to their estimated useful lives. The following useful lives were taken into account: buildings 20 to 33 years, land improvements 5 to 20 years, operating facilities 10 to 25 years, plant and machinery 4 to 15 years, other equipment 3 to 25 years as well as furniture and fixtures 3 to 10 years.

Write-downs are calculated using the straight-line method. The assets are depreciated pro rata temporis in the year of acquisition. Low-value assets with an acquisition or production cost not exceeding EUR 250 are written off in full as operating expenses. Low-value assets with an acquisition or production cost of more than EUR 250 but no greater than EUR 1,000 were recognized in a collective item and depreciated by 20% p.a. over five years.
Financial assets are valued at acquisition cost including incidental acquisition costs, extraordinary write-downs to the lower of cost or market were carried out in cases where impairment is expected to be permanent.

The weighted average cost method or the lower of cost or market as of the balance sheet date are used to determine the acquisition cost of raw materials, consumables and supplies.

Finished goods and work in process and merchandise are recognized at production cost. To determine the costs directly attributable to production, manufacturing costs also include production overheads and indirect material cost in an appropriate amount, as well as amortization and depreciation. Borrowing costs were not included in the production cost. Sales risks and risks resulting from reduced usability were taken into account appropriately.

Receivables and other assets are stated at their nominal value. Relevant valuations allowances provide for individual foreseeable risks. The general credit risk is provided for by a general bad debt allowance.

For valuation allowances of tooling cost reimbursement claims that were recognized on potentially insufficient purchase volumes, residual compensation payments that are most likely to be realizable were taken into account, because there is no default risk. Tooling cost reimbursement claims are discounted with an interest rate based on the respective customer instrument. The average interest rate is between 0.00% and 1.50% in the reporting year (prior year: between 0.00% and 1.50%).

Cash and cash equivalents are valued at their nominal value.

Equity is recognized at nominal value.

Provisions account for all recognizable risks and liabilities of uncertain timing or amount and future cost and price increases at the time the obligation is settled. Provisions with a term of more than one year are discounted based on their residual term at the market interest rate as determined by Deutsche Bundesbank.

The provisions for long-service bonuses were calculated using the 2005 G mortality tables by Dr. Klaus Heubeck and valued in accordance with actuarial principles (projected unit credit method) based on an interest rate of 3.12% (prior year: 3.12%) and benefits increases of 2.50% p.a. (prior year: 2.50%) were assumed. Furthermore, an increase in the measurement base used for contributions of 2.50% p.a. (prior year: 2.50%) as well as the probability of employee turnover relating to age and gender were taken into account.

The provisions for death benefits and for vacation and Christmas bonuses were calculated using the 2018 G mortality tables by Dr. Klaus Heubeck and the projected unit credit method. An average interest rate of the last seven years of 2.24% (prior year: 2.68%) and salary increases of 2.50% p.a. (prior year: 2.50%) were assumed for provisions for death benefits and vacation and Christmas bonuses.
Liabilities are recorded at the settlement value.

Currency translation

Foreign currency transactions are generally translated at the historical rate applicable at the time at which the transaction was initially recognized. Foreign currency assets and liabilities are valued using the mean spot rate on the balance sheet date applying the imparity and realization principle. For those with a term of one year or less, unrealized exchange gains are also recognized.

Deferred taxes

The parent company recognizes deferred taxes on account of temporary differences at subsidiaries due to the profit and loss transfer agreement in place with SMP GmbH and the related tax group for income tax purposes.
Notes to the balance sheet

Intangible assets and property, plant and equipment

The development of intangible assets and property, plant and equipment is shown in the following statement of changes in fixed assets (see attachment to the notes).

List of shareholdings

As of the balance sheet date, the Company has a 94.8% shareholding in SM Real Estate GmbH, Gelnhausen, Germany. This company’s equity amounted to EUR 1,727k and the net income for the year totaled EUR 457k as of the balance sheet date.

Receivables and other assets

<table>
<thead>
<tr>
<th>EUR k</th>
<th>31 Mar 2018</th>
<th>31 Mar 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>8,075</td>
<td>6,863</td>
</tr>
<tr>
<td>Receivables from affiliates</td>
<td>13,637</td>
<td>5,230</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,026</td>
<td>854</td>
</tr>
<tr>
<td><strong>Total receivables and other assets</strong></td>
<td><strong>22,738</strong></td>
<td><strong>12,947</strong></td>
</tr>
</tbody>
</table>

Of trade receivables, EUR 3,905k relates to tooling cost reimbursement claims (prior year: EUR 6,153k), EUR 2,810k of which is due in more than one year (prior year: EUR 3,206k). All other receivables and other assets are due within one year.

As of the balance sheet date, there were receivables from affiliates of EUR 5,230k (prior year: EUR 13,637k), which are due in less than one year. These receivables include the loss absorption of EUR 4,002k by the shareholder as of the balance sheet date (prior year: EUR 12,342k). Moreover, there are trade receivables of EUR 1,228k (prior year: EUR 1,295k).

Other provisions

Other provisions include sales-related provisions of EUR 21,481k (prior year: EUR 15,037k), personnel-related provisions of EUR 3,023k (prior year: EUR 2,810k) and provisions for outstanding invoices of EUR 2,262k (prior year: EUR 2,795k).
Other provisions contain provisions for death benefits and vacation and Christmas bonuses of EUR 316k. In the prior year, these were recognized under provisions for pensions and similar obligations at an amount of EUR 208k. The prior-year figures were not adjusted.

**Liabilities**

<table>
<thead>
<tr>
<th>EUR k</th>
<th>31 Mar 2018</th>
<th>31 Mar 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>21,254</td>
<td>13,449</td>
</tr>
<tr>
<td>Liabilities to affiliates</td>
<td>62,901</td>
<td>47,519</td>
</tr>
<tr>
<td>(thereof to shareholder)</td>
<td>717</td>
<td>511</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>367</td>
<td>265</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>84,522</strong></td>
<td><strong>61,233</strong></td>
</tr>
</tbody>
</table>

The residual terms of the liabilities break down as follows:

<table>
<thead>
<tr>
<th>Statement of liabilities as of 31 March 2019 in EUR k</th>
<th>Total</th>
<th>due in less than one year</th>
<th>due in more than one year</th>
<th>thereof due in more than five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Trade payables</td>
<td>13,449</td>
<td>13,449</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(prior year)</td>
<td>21,254</td>
<td>21,254</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2. Liabilities to affiliates</td>
<td>47,519</td>
<td>3,019</td>
<td>44,500</td>
<td>0</td>
</tr>
<tr>
<td>(prior year)</td>
<td>62,901</td>
<td>3,401</td>
<td>59,500</td>
<td>0</td>
</tr>
<tr>
<td>thereof to shareholders</td>
<td>511</td>
<td>511</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(prior year)</td>
<td>717</td>
<td>717</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3. Other liabilities</td>
<td>265</td>
<td>265</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(prior year)</td>
<td>367</td>
<td>367</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>61,233</strong></td>
<td><strong>16,733</strong></td>
<td><strong>44,500</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td>(prior year)</td>
<td><strong>84,522</strong></td>
<td><strong>25,022</strong></td>
<td><strong>59,500</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

No external financing was available to the Company as of the balance sheet date. The Company is solely financed by shareholder loans. No collateral for liabilities has been provided.
Liabilities to affiliates include liabilities from the loan granted by SMRP B.V. of EUR 44,500k (prior year: EUR 59,500k). In addition, this item includes trade payables of EUR 2,508k (prior year: EUR 2,684k) and other liabilities of EUR 511k (prior year: EUR 717k).

EUR 263k (prior year: EUR 358k) of other liabilities relates to taxes. Another EUR 3k (prior year: EUR 8k) pertains to liabilities relating to social security.

Notes to the income statement

Revenue

Revenue by division

<table>
<thead>
<tr>
<th>EUR k</th>
<th>1 Apr 2017 to 31 Mar 2018</th>
<th>1 Apr 2018 to 31 Mar 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>188,178</td>
<td>151,388</td>
</tr>
<tr>
<td>Other</td>
<td>63</td>
<td>724</td>
</tr>
<tr>
<td>Total</td>
<td>188,241</td>
<td>152,112</td>
</tr>
</tbody>
</table>

Revenue by sales regions

<table>
<thead>
<tr>
<th>EUR k</th>
<th>1 Apr 2017 - 31 Mar 2018</th>
<th>1 Apr 2018 - 31 Mar 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>117,010</td>
<td>113,011</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>71,165</td>
<td>39,101</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>66</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>188,241</td>
<td>152,112</td>
</tr>
</tbody>
</table>
Other operating income

<table>
<thead>
<tr>
<th>EUR k</th>
<th>1 Apr 2017 - 31 Mar 2018</th>
<th>1 Apr 2018 - 31 Mar 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other operating income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost allocation to affiliates</td>
<td>2,450</td>
<td>1,820</td>
</tr>
<tr>
<td>Income from currency translation</td>
<td>41</td>
<td>51</td>
</tr>
<tr>
<td>Sundry other operating income</td>
<td>1,860</td>
<td>1,700</td>
</tr>
<tr>
<td></td>
<td><strong>4,351</strong></td>
<td><strong>3,571</strong></td>
</tr>
<tr>
<td><strong>Income relating to other periods</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reversal of provisions</td>
<td>3,819</td>
<td>5,152</td>
</tr>
<tr>
<td>Reversal of valuation allowances</td>
<td>0</td>
<td>113</td>
</tr>
<tr>
<td>Income from tax field audit</td>
<td>0</td>
<td>274</td>
</tr>
<tr>
<td></td>
<td><strong>3,819</strong></td>
<td><strong>5,539</strong></td>
</tr>
<tr>
<td>Total income relating to other periods</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>3,819</strong></td>
<td><strong>5,539</strong></td>
</tr>
<tr>
<td>Total other operating income</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>8,170</strong></td>
<td><strong>9,110</strong></td>
</tr>
</tbody>
</table>

Personnel expenses of the fiscal year, classified pursuant to Sec. 275 (2) No. 6 HGB

<table>
<thead>
<tr>
<th>EUR k</th>
<th>1 Apr 2018 - 31 Mar 2018</th>
<th>1 Apr 2018 - 31 Mar 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wages and salaries</strong></td>
<td>27,546</td>
<td>26,182</td>
</tr>
<tr>
<td><strong>Social security</strong></td>
<td>4,538</td>
<td>4,951</td>
</tr>
<tr>
<td><strong>Pension costs</strong></td>
<td>867</td>
<td>576</td>
</tr>
<tr>
<td><strong>Other personnel expenses</strong></td>
<td>32,951</td>
<td>31,709</td>
</tr>
</tbody>
</table>

Contributions to the employer’s liability insurance of EUR 514k were recognized under social security. In the prior year, EUR 382k was recorded under expenses for pensions. The prior-year figures were not adjusted.
### Other operating expenses

<table>
<thead>
<tr>
<th>EUR k</th>
<th>1 Apr 2017 - 31 Mar 2018</th>
<th>1 Apr 2018 - 31 Mar 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased services for maintenance</td>
<td>2,026</td>
<td>1,978</td>
</tr>
<tr>
<td>Purchased services and technical support</td>
<td>2,526</td>
<td>1,669</td>
</tr>
<tr>
<td>Other leasing expenses, rent and leases</td>
<td>1,482</td>
<td>1,710</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,034</strong></td>
<td><strong>5,357</strong></td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third-party IT services</td>
<td>382</td>
<td>237</td>
</tr>
<tr>
<td>Insurance premiums</td>
<td>169</td>
<td>188</td>
</tr>
<tr>
<td>Office materials</td>
<td>62</td>
<td>50</td>
</tr>
<tr>
<td>Other administrative expenses</td>
<td>303</td>
<td>394</td>
</tr>
<tr>
<td><strong>Office materials</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>916</strong></td>
<td><strong>869</strong></td>
</tr>
<tr>
<td><strong>Selling expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freight costs</td>
<td>2,747</td>
<td>2,174</td>
</tr>
<tr>
<td>Expenses for warranties</td>
<td>1,874</td>
<td>424</td>
</tr>
<tr>
<td>Write-downs</td>
<td>216</td>
<td>0</td>
</tr>
<tr>
<td>Other selling expenses</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,841</strong></td>
<td><strong>2,600</strong></td>
</tr>
<tr>
<td><strong>Other incidental personnel costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges from SMP Deutschland GmbH</td>
<td>1,551</td>
<td>461</td>
</tr>
<tr>
<td>Surveillance third parties</td>
<td>153</td>
<td>218</td>
</tr>
<tr>
<td>Third-party services</td>
<td>3,338</td>
<td>2,598</td>
</tr>
<tr>
<td>Sundry other expenses</td>
<td>3,231</td>
<td>2,190</td>
</tr>
<tr>
<td><strong>Total other operating expenses</strong></td>
<td><strong>20,369</strong></td>
<td><strong>14,592</strong></td>
</tr>
</tbody>
</table>
The total amount of other interest and similar income contains interest income from a loan to the shareholder of EUR 0k (prior year: EUR 19k) and therefore to affiliates. Income of EUR 10k from unwinding of tooling cost reimbursement claims is also included (prior year: EUR 57k).

The total of interest and similar income comprises the interest to SMRP B.V. of EUR 2,245k (prior year: EUR 3,074k). In addition, they also include expenses from unwinding the discount on provisions for death benefit payments and vacation and Christmas bonuses of EUR 6k (prior year: EUR 4k).

Other taxes

Other taxes consist of expenses for real estate tax of EUR 105k (prior year: EUR 213k). Tax expenses related to other periods of EUR 143k are attributable to VAT.

Income from loss absorption

On 2 December 2013, a profit and loss transfer agreement was concluded with SMP GmbH in accordance with Sec. 291 (1) Sentence 1, 2nd alternative AktG ["Aktiengesetz": German Stock Corporation Act]. This agreement was approved by the shareholder meeting on 6 December 2013. Due to this profit and loss transfer agreement, the net income for the year of EUR -4,002k (prior year: EUR -12,342k) was compensated by SMP GmbH.

Other notes

Other financial obligations

The purchase obligation for investment projects comes to EUR 668k as of the balance sheet date (prior year: EUR 1,018k). We do not see a real risk of utilization because the purchase obligation relates to permanent investment projects.

Rental and lease agreements

<table>
<thead>
<tr>
<th>EUR k</th>
<th>31 Mar 2018</th>
<th>31 Mar 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>within one year</td>
<td>1,138</td>
<td>387</td>
</tr>
<tr>
<td>between one and five years</td>
<td>1,008</td>
<td>1,498</td>
</tr>
<tr>
<td>more than five years</td>
<td>0</td>
<td>995</td>
</tr>
<tr>
<td>Total</td>
<td>2,146</td>
<td>2,880</td>
</tr>
</tbody>
</table>

The total value of the rental and lease agreements of EUR 2,880k consists of, among other things, obligations of EUR 2,242k from rental agreements for land and buildings (prior year: EUR 793k) as well as lease agreements for forklifts of EUR 235k (prior year:
The rental and lease agreements allow for the liquidity outflows to be spread across the respective term of the agreement. This contributes to reducing the amount of capital tied up and the investment risk remains with the lessor.

Furthermore, there are other financial obligations of EUR 9k relating to affiliates as in the prior year. These obligations result from IT support services and are due within one year.

**Contingent liabilities**

The Company is jointly and severally liable for the liabilities of Samvardhana Motherson Automotive Systems Group B.V. in connection with the senior secured notes (EUR 100m) concluded in June 2015, senior secured notes (USD 400m) concluded in June 2016, senior secured notes (EUR 300m) concluded in July 2017, the revolving credit facility agreement (EUR 500m) concluded in June 2017 as well as its increase in August 2018 (EUR 75m) and the term loan (USD 60m) concluded in September 2018. As of the balance sheet date, the liabilities from the revolving credit facility agreement were valued at EUR 62m.

SMP Automotive Exterior GmbH has provided the following collateral for the loans granted by SMRP B.V.:

- Land charges of EUR 60m registered in the Schierling land register (Regensburg local court)
- Pledged assets (pursuant to share pledge agreement)
- Collateral assignment of fixed and current assets (pursuant to security transfer agreement)

We anticipate the probability of utilizing the contingent liabilities to be low on account of the current business development of SMRP B.V. and its subsidiaries.

The Company concluded factoring agreements with SMP Deutschland GmbH with a total financing limit of EUR 92,000k (prior year: EUR 92,000k) which are usable by both parties. Both parties issue a validity guarantee to the extent that the receivables exist, can be transferred and do not involve pleas, reservations or rights of the debtor or others. Accordingly, there is a joint several warranty assumption. As of the balance sheet date, the Company sold receivables of EUR 14,396k (prior year: EUR 23,001k) and SMP Deutschland GmbH sold receivables of EUR 81,878k (prior year: EUR 86,129k) due to this agreement. The risk of utilization is deemed to be low because it is assumed that the existence of the sold receivables is assured and therefore the receivables can be settled by the customer.
Notes on off-balance-sheet transactions

Factoring agreements were concluded to optimize the Company’s working capital. Thus, the credit risk of the sold receivables of EUR 14,396k (prior year: EUR 23,001k) was transferred to the buyer as of the balance sheet date. The Company received cash and cash equivalents of the same amount from the receivables sold to the factoring banks as of the balance sheet date. A risk from the financing subject to variable interest up to the date of payment by the customer is deemed immaterial given the current negative conditions at the interest rate and capital market.

Employees

Average number of employees during the year:

Salaried employees: 296
Wage earners: 275
Trainees: 13
Total: 584
Management

The general manager of the Company is:

Andreas Heuser, Bad Soden-Salmünster, general manager for activities in Europe and America of the Samvardhana Motherson Group.

Pursuant to Sec. 286 (4) HGB, total remuneration is not disclosed.

Auditor's fees

The total fees charged by the auditor for the fiscal year amounted to EUR 45k for audit services.

Group consolidation

Pursuant to Sec. 291 HGB, the Company is exempt from the obligation to prepare consolidated financial statements or a group management report as the Company and its subsidiaries are included in the consolidated financial statements and group management report of Samvardhana Motherson Automotive Systems Group B.V. (SMRP B.V.), Amsterdam, Netherlands (smallest group of companies). The highest level of the Company is included in the consolidated financial statements of Motherson Sumi Systems Limited (MSSL), India (largest group of companies). The consolidated financial statements of MSSL have been published on the Company's website (www.motherson.com).

The consolidated financial statements and group management report of SMRP B.V. are prepared in accordance with International Financial Reporting Standards pursuant to ABl. EC No. L 243 Sentence 1 in the latest version (IFRSs).

The consolidated financial statements of SMRP B.V. are published in the Bundesanzeiger [German Federal Gazette].
Subsequent events

There were no significant events after the balance sheet date requiring consideration either in the income statement or in the balance sheet.

Schierling, 24 June 2019

SMP Automotive Exterior GmbH
General manager

.....................................................
Andreas Heuser
### Translation from the German language

**SMP Automotive Exterior GmbH, Schierling**

**Attachment to the notes (Statement of changes in fixed assets for the period from 1 April 2018 to 31 March 2019)**

<table>
<thead>
<tr>
<th></th>
<th>Acquisition and production cost</th>
<th>Accumulated amortization, depreciation and write-downs</th>
<th>Net book values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
</tr>
<tr>
<td>I. Intangible assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets</td>
<td>506,651.95</td>
<td>17,574.71</td>
<td>0.00</td>
</tr>
<tr>
<td>II. Property, plant and equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Land, land rights and buildings, including buildings on third-party land</td>
<td>46,478,139.30</td>
<td>194,215.97</td>
<td>131,732.81</td>
</tr>
<tr>
<td>2. Plant and machinery</td>
<td>56,929,350.72</td>
<td>890,007.36</td>
<td>75,000.00</td>
</tr>
<tr>
<td>3. Other equipment, furniture and fixtures</td>
<td>1,610,227.74</td>
<td>342,979.71</td>
<td>0.00</td>
</tr>
<tr>
<td>4. Prepayments and assets under construction</td>
<td>2,452,481.17</td>
<td>536,306.34</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>107,470,198.93</td>
<td>2,064,109.38</td>
<td>206,732.81</td>
</tr>
<tr>
<td>III. Financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares in affiliates</td>
<td>26,544.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>108,003,394.88</td>
<td>2,081,084.09</td>
<td>206,732.81</td>
</tr>
</tbody>
</table>
Management report for SMP Automotive Exterior GmbH, Schierling
Fiscal year from 1 April 2018 to 31 March 2019

I. Company background

a. Business model of the Company

The core business of SMP Automotive Exterior GmbH (“SMP AE” or the “Company”) is processing plastics. SMP AE supplies plastic parts and entire system modules for vehicle exteriors. This includes producing and selling bumper systems and plastic parts for the exteriors of vehicle models produced by Germany’s leading automotive manufacturers, also referred to as OEMs (Original Equipment Manufacturers). SMP AE’s most important sales market is the German automotive sector, with the main customers being Daimler, BMW and Porsche.

SMP AE is part of the SMP Group (SMP), and together with SMP Deutschland GmbH is the market leader for vehicle bumper systems in Germany.

The Company supplies its products exclusively to the automotive market as a TIER 1 (system) supplier. Most of its customers are German premium manufacturers, as a result of which Germany accounts for 74.3% of its revenue (prior year: 62.2%). Other EU countries account for 25.7% of the Company’s revenue (prior year: 37.8%). Increasing integration due to just-in-time and just-in-sequence deliveries of products to customers make geographical proximity to customers’ production plants essential.

b. Objectives and strategies

As a key member of the Samvardhana Motherson Group, we are also in pursuit of the Group’s vision “To be a Globally Preferred Solutions Provider”.

The Samvardhana Motherson Group is a globally renowned supplier of high-quality components, modules and systems, primarily for customers in the automotive sector. The Group, which is based in Noida (India), boasts a diversified portfolio of products and services including electrical distribution systems, rear-view mirrors, camera systems, front-end modules, cockpits, air conditioning systems, lights, cabs for commercial vehicles, plastics processing, elastomer processing, plastic injection molding molds, IT services and development services.
Since becoming part of the Samvardhana Motherson Group SMP has been able to gain a large number of new orders that also required investment in new plants. While the new plants in Mexico and Hungary were commissioned in 2017/18, a plant at the Tuscaloosa (USA) location started series production in 2018/19. This represents the continuation of SMP’s efforts to increase its international presence with production facilities.

With low utilization of its capacity at its plant in Schierling (Bavaria), SMP AE, which was founded in 2013, focused on measures aimed at improving the efficiency of its procedures (in the fields of production and logistics in particular) in fiscal year 2018/19.

c. Corporate governance

The objective-based governance of the Company is elementary to SMP AE’s success and safeguarding its survival in the long term. The Company’s management team determines the business policy framework for the divisions, monitors compliance with said framework, and manages the Company based on the specified corporate goals. The achievement of revenue, profitability and financial targets is coordinated and monitored centrally.

EBIT (Earnings Before Interest and Taxes) serves as an important management tool and key performance indicator based on internal management reporting. The company’s performance is continuously measured based on this indicator. The EBIT for management reporting purposes is defined as the EBIT in accordance with the German Commercial Code plus other taxes and less interest expenses for operating lease agreements, which are treated as finance leasing agreements for the purposes of management reporting.

The EBIT margin (defined as earnings before interest and taxes in accordance with the management reporting in relation to revenue) is used as a key profitability indicator. Another increasingly important measure of profitability is ROCE (Return on Capital Employed), which shows the relationship between operating profit/EBIT and capital employed.

Compliance with ethical standards and principles is also a high priority within the Company’s culture. The declarations made in 2011 by management and all of the Company’s employees regarding compliance with ethical standards in business transactions still apply. These group-wide standards and principles are automatically passed on when hiring new employees and founding new entities. The General Works Agreement Governing Rules of Conduct for Business Dealings with Third Parties (“Anti-Corruption Policy”) also describes the principles of constructive collaboration with customers, suppliers and other business partners. The declaration is reiterated by management and new hires each year.
**d. Research and development**

In order to remain competitive in the future and live up to our vision for the Group, the research and development department of SMP is an integral component of the Company’s corporate policy. Innovation and development skills are elementary factors in this regard.

Lightweight construction plays a key role in the development activities. Compared to conventional energy carriers, the range of pure electric vehicles is limited and the weight is high due to the insufficient power density of the battery. The provision of solutions and concepts for reducing weight is therefore crucial for competition in the supplier industry. In this area, the developments of components which are strengthened using natural fibers or carbon fibers is worthy of mention. The challenges in this context are related to new processing methods or in the combination of processing methods. We achieved great success at combining processes for processing semi-finished goods that have been reinforced using natural fibers. After implementing the large-scale production of matrices for interior door panels, this technology will be built into a fully electric sports car of one of our long-standing customers this year. In this way, the grammage of the supporting matrix was reduced further. The customers not only demand solutions for reducing weight, but also for decreasing the costs for parts due to the high costs for battery-electric drive. Recycled carbon fibers were successfully used for the instrument panel in the cockpit of the new Porsche 911. Using the carbon fibers leads to a significant weight reduction of 35%. In addition, the costs were significantly reduced because the use of carbon fiber reinforced plastic replaced the need for magnesium die casting used in the past.

Safety is a high priority, not only with regard to driver-assistance systems. The passenger airbag in the dashboard, for instance, is one of the main safety features for the front-seat passenger in the vehicle interior. What is more, the high demands on side impact protection in the interior door panels have to be fulfilled without fail regardless of design requirements. The requirements of the two-stage European Directive 2003/102/EC for vehicle exteriors, for example, include the protection of pedestrians and the fulfillment of statutory crash requirements for insurance classification purposes.

The trend towards autonomous driving requires the integration of a large number of sensor systems in the vehicle front, and automotive manufacturers wish to integrate the sensor systems for electric vehicles in closed surfaces with a new look. Our activities are therefore also focused on developing such surfaces.

In order to meet increasing customer requirements, innovations have been developed in all areas and are being incorporated into our products for the future. In addition, we are constantly working on further product and process innovations in ongoing research projects in order to strengthen and continuously develop the Company’s key position on the market further.

The significance of SMP’s position in the market is also underscored by the fact that OEMs include the Company in the decision-making phase in order to find potential solutions for problems involving interior and exterior products.
This usually takes the form of participation in concept competitions. To make this possible, the engineering, advance development and sales departments collaborate very closely in order to prepare corresponding concept proposals that also include marketing of innovations from advance development projects, which is therefore a key element in winning new and additional orders.

In terms of quality planning, SMP performs the current development projects according to the customer-specific requirements. These development projects are reviewed regularly together with the customers’ quality departments.

SMP has its own extensive testing facilities, which comprise airbag testing, air conditioning testing and endurance tests. These facilities allow the Company to ensure that the high requirements are fulfilled in all respects, such as, for instance, those relating to passenger protection systems and pedestrian protection regulations.

II. Report on economic position

a. General conditions

In the past year, the global economy recorded growth at a similar level as in 2017 (up 3.6%). However, global economic development slowed down in the second half of 2018 due to various negative factors, mostly politically induced. The sharpening trade dispute between the US and China, also the trade dispute between the EU and the US and the unresolved issues of Brexit tarnished the trust and confidence of the market participants. Thus, the global EMI index [“Einkaufsmanagerindex”: purchasing managers’ index], an important early indicator, slid steadily starting in the second quarter of 2018.

The economies of the industrialized countries grew overall by 2.2%, a slight slowdown compared to 2017. The eurozone in particular contributed to the lower growth rate. Increasing concerns regarding a no-deal Brexit, a WLTP-induced decline in industrial production in Germany, protests of the yellow vests in France and concerns regarding the solidity of national finances in Italy led to a significant decrease in consumer confidence and thus the growth rate of private consumption. At 1.0%, growth of industrial production in the eurozone also slowed down compared to 2017 (3.0%). Gross domestic product (GDP) of the monetary union therefore increased by just 1.8%, although the growth rates of both anchor economies, Germany and France, of 1.5% were below the average of the eurozone as a whole.
The US contributed positively to the economic growth of the industrialized countries. Despite trade disputes and political differences during the negotiations to pass the US budget with the resulting government shutdown, GDP increased by 2.9%, a higher rate than in 2017. While other economies lost momentum in the second half of 2018, GDP in the US increased again in the last quarters. However, the impetus from fiscal policy in the form of tax reductions has to be emphasized. This led to steadily high private consumption and a significant increase in corporate investments. The unemployment rate in the US decreased slightly to 3.9% by the end of 2018.

The developing and emerging economies recorded economic growth of 4.5%. As expected, the Chinese economy grew at a slower rate than in the prior year. China’s GDP saw an increase of 6.6%. The growth rate of industrial production and exports in particular decreased significantly, not least due to the trade dispute with the US. The more restrictive lending and weaker development on the real estate markets in China are further reasons for the gradual slowdown. Russia overcame the recession sustainably and enjoyed a continued upswing with an increase in GDP of 2.3% compared to 2017. The Brazilian economy grew slower than at first expected in 2018. High unemployment, increasing price pressure and also the political uncertainty prevented GDP from growing faster than 1.1%. In Mexico, GDP grew by 2.0% in the past year, thus slightly lower than in 2017 (2.1%).

The global passenger car market recorded a minor decrease in the past year. Overall, demand for passenger cars declined by almost 1%, whereas the different regions displayed different growth rates and trends.

The US automotive market outpaced the prior-year performance in 2018 by a small margin, driven by robust consumption and low unemployment. In sum, consumer demand for new light vehicles came to 17.3 million (up 0.5%). The focus continued to be on light trucks. Sales of new vehicles in this segment increased by more than 7% to 11.7 million units. At the same time, demand for passenger cars decreased by 11% to around 5.6 million new vehicles.

In Western Europe, the passenger car market reached a volume of 14.2 million new vehicles in 2018 - a slight decline compared to the prior year (down 1%). Demand was burdened by supply bottlenecks due to the transition to the new WLTP testing cycle, the increasing uncertainty resulting from Brexit and high market saturation. The German passenger car market nearly matched the prior year (3.4 million new vehicles). The ongoing Brexit discussion and the collapse of the diesel market led to a significant decrease in demand for new vehicles in the UK. Unit sales of passenger cars decreased by around 7%. In France, the passenger car market was around 3% above the prior-year level, while demand in Italy decreased by a good 3%. With a 7% increase, the Spanish market enjoyed solid growth.

Unit sales of new vehicles in the new EU countries increased by 8% compared to 2017. The first half of the year especially contributed to this growth.
The Chinese passenger car market recorded a decrease in 2018 for the first time in decades. Overall, the sales volume of 23.2 million new vehicles was 4% below the prior-year level - an absolute decline of almost one million vehicles. The trade dispute with the US had a negative effect. Furthermore, there was no additional government assistance in the form of tax advantages or other purchase incentives.

Car purchases were increasingly brought forward in Russia in 2018, because VAT was raised at the beginning of 2019. The market for light vehicles grew by around 13% to 1.8 million units. The Brazilian automotive market also showed an upwards trend in line with the overall economic recovery. Demand for light vehicles increased by about 14%. Uncertainties in Mexico’s domestic and foreign policy led to another year with declining demand in new vehicles. Sales in Mexico decreased by a good 7% to 1.4 million light vehicles. In India, the passenger car market increased by a good 5% in 2018 compared to the prior year. Overall, the market comprised around 3.4 million new vehicles. At 4.4 million vehicles, sales of passenger cars in Japan matched the prior year.

The revenue of Germany’s automotive companies rose 1% to around EUR 426b. The revenue generated in other countries increased by 2%, while income from the domestic business declined by 1%. The automotive industry employed a total of 833,770 people in Germany in December 2018.

b. Significant factors in fiscal year 2018/2019

Fiscal year 2018/19 was mainly characterized by the improvement and optimization of capacity. There were significant increases in the quality management division in particular compared to the prior year. The Company achieved an EBIT margin (according to management reporting) of -1.0% prior year: -4.7%) for the whole of 2018/2019.

Human resources

The Company’s human capital is one of its biggest competitive advantages. That is why SMP AE employed 561 (prior year: 667) highly-qualified people in all parts of the Company (including trainees) as of the balance sheet date (31 March 2019).

In order to maintain and build on this competitive advantage, the Company’s HR policy will focus even more in the future on developing employees’ skills, reinforcing managers’ leadership skills, implementing global HR standards, expanding the qualification matrix in all divisions of the plant.
Training future specialists is an important success factor for practising the Company’s philosophy of filling new or vacated positions internally. That is why SMP Automotive Exterior GmbH employed 12 trainees as of the balance sheet date (prior year: 17), covering a wide range of different training vocations. This means that the Schierling plant trains future specialists for the divisions in three technical and two administrative professions. The efficiency of the training is underpinned by the fact that all former trainees of the plant were hired after completing their respective training. One important and growing factor in this respect is the Company’s collaboration with various different educational institutions. SMP AE offers a range of opportunities such as theses or internships in order to give potential candidates an insight into the production facility at an early stage.

Another important contact channel is the Excellence partnership with the Eckert schools, offering a wide range of training opportunities for technician and foreperson training. SMP AE supports the graduates and participates by offering practical project work. Incentives are granted to the three best graduates of industrial technology.

Purchasing
The purchases department has come to provide a key function for SMP. Membership of the Samvardhana Motherson Group presents numerous opportunities to reduce costs. The Vertical Integration project is still being consistently pursued and implemented, and the value added within the group has already been increased. There are plans for further measures in this regard. This also involves developing cost-effective procurement opportunities via our group entities in India, while maintaining the same standards of quality.

Production
The Company's production volume fell sharply in fiscal year 2018/19 in comparison to the prior year, as a result of which the main focus was shifted to the optimization and improvement of production processes.

Capital expenditure
A total of EUR 2.1m was invested in property, plant and equipment in fiscal year 2018/19 (prior year: EUR 4.5m). A steel platform of EUR 0.4m was the main investment.

IT
In the field of IT we are making use of the many different opportunities for working with the group entity MIND. This allows information technologies and services to be provided within the Group and cost-effectively. We also work with our outsourcing partner T-Systems via SMP Deutschland GmbH.
Environment
Here at SMP AE we feel a deep sense of responsibility toward the environment. Compliance with SMP’s environmental standards is a high priority throughout our organization. We attach great value to using resources sparingly, reducing our impact on the environment, and the health and safety of all of our employees while they are at work. This is not just an economic matter, but to an even greater extent an obligation toward society. We are aided in this by numerous investments in protecting the environment and occupational health and safety, which ensure that SMP AE meets its customers’ demands in terms of reliability and quality. SMP AE’s environmental management system has been certified and validated in accordance with DIN EN ISO 14001 and EC Regulation 1221/2009 (EMAS III). The occupational health and safety management system has been certified in accordance with OHSAS 18001.

All production systems and equipment are operated in compliance with statutory requirements. This is ensured by using state-of-the-art air purification and waste water facilities that are regularly monitored and maintained, particularly in the paint lines. In order to meet both statutory and the Company’s own requirements, there are trained health and safety officers (GUSi officers) at all SMP production facilities who work to achieve and maintain the requirements with respect to healthcare, protecting the environment and workplace safety. The knowledge of these GUSi officers is kept up-to-date through regular training. Compliance with the EU’s end-of-life vehicles directive is ensured by monitoring the data reported by suppliers to the international materials data system, and involving SMP’s suppliers in the development of new products at an early stage.

Equity investments
The Company still holds the following equity investment as of the balance sheet date:

- SM Real Estate GmbH, Gelnhausen, 94.8%
c. Position of the Company and development of its business

Financial performance
In fiscal year 2018/19, series revenue came to EUR 151.4m due to ending programs and decreasing sales volume (prior year: EUR 188.2m). However, it exceeded the expected forecast significantly.

Other revenue amounted to EUR 0.7m (prior year: EUR 0.01m). This primarily contains services to SMP group companies.

On the balance sheet date the Company had signed orders on its books with a total volume of EUR 876.5m within the next five years. This revenue is mainly distributed between Daimler, BMW and Porsche. We see huge additional potential for revenue with Daimler and Porsche in particular.

Other operating income came to a total of EUR 9.1m (prior year: EUR 8.2m), and mainly consisted of clearing accounts with associated entities and the reversal of provisions.

The ratio of cost of materials to total operating performance amounted to 71.1% and was therefore clearly below the prior-year level of 76.4% due to reduced wastage. This is measured at the cost of materials as a percentage of total operating performance (revenue +/- changes in inventories).

Personnel expenses totaled EUR 31.7m (prior year: EUR 33.0m). The reduction is mainly attributable to lower headcount, but also to optimized processes and reduced wastage due to higher efficiency. The ratio of personnel expenses to total operating performance was 20.8%, which was higher than in the prior year (17.5%), because personnel expenses were not fully adjusted for the decrease in revenue. This increase can be attributed to procedural and quality assurance measures. Average expenses per employee stood at EUR 54.3k.

Amortization, depreciation and write-downs amounted to EUR 8.2m (prior year: EUR 8.2m).

Total other operating expenses amounted to EUR 14.6m (prior year: EUR 20.4m), and were much lower than in the prior year. This mainly consists of maintenance and technical consultation expenses amounting to EUR 3.6m (prior year: EUR 4.5m), leasing and rental expenses amounting to EUR 1.7m (prior year: EUR 1.5m), selling expenses amounting to EUR 2.6m (prior year: EUR 4.8m), expenses passed on by group companies amounting to EUR 2.2m (prior year: EUR 3.2m) and other costs charged by SMP Deutschland GmbH amounting to EUR 0.5m (prior year: EUR 1.6m). EBIT (Earnings Before Interest and Taxes) came to EUR -1.4m (prior year: EUR -8.9m), which represented -0.9% of the total operating performance (prior year: -4.7%).
The financial result came to EUR -2.5m on the balance sheet date (prior year: EUR -3.3m). This improvement mainly stemmed from the partial repayment of the loan granted by Samvardhana Motherson Automotive Systems Group B.V. (SMRP BV) and a more favorable interest rate.

Financial position
Cash flow from operating activities amounted to EUR 16.3m at the end of the year. Cash flow from investing activities came to EUR -2.3m. Cash flow in the field of financing activities amounted to EUR -15m. This led to a net change in cash and cash equivalents of EUR -1.0m.

Land charges, equity investment pledges and collateral transfers of current and non-current assets were assigned to the Dutch holding company Samvardhana Motherson Automotive Systems Group BV (SMRP BV) as collateral for the bonds issued in the prior years.

The Company has no access to external lines of credit at banks as of the balance sheet date.

SMP AE is currently exclusively financed by an internal loan. A long-term shareholder loan from SMRP BV with a volume of EUR 100.0m is available for this purpose, and EUR 44.5m of this amount had been utilized as of the balance sheet date (prior year: EUR 59.5m).

Receivables amounting to EUR 14.4m (prior year: EUR 23.0m) had been sold as of the balance sheet date based on factoring agreements concluded in previous years.

The main aim of our financial management activities is to safeguard the Company’s solvency. Particular consideration is given to opportunities for internal financing by means of actively planning, monitoring and managing cash flows.

Trade credit insurance companies once again underwrote business for the Company in 2018/2019.

SMP AE was fully solvent throughout the past fiscal year.

Assets and liabilities
Total assets were down EUR 17.4m year-on-year, at EUR 104.7m (prior year: EUR 122.1m).

Non-current assets amounted to EUR 80.2m on the balance sheet date (prior year: EUR 86.1m).

Current assets amounted to EUR 24.5m on the balance sheet date (prior year: EUR 36.0m), which represents a year-on-year decrease of EUR 11.5m. Medium to long-term current assets amounted to EUR 2.8m (prior year: EUR 3.2m) for tooling cost reimbursement claims from engineering orders.
Short-term current assets fell by EUR 11.1m in comparison to the prior year, from EUR 32.8m to EUR 21.7m. Other provisions increased by EUR 6.2m to EUR 26.8m (prior year: EUR 20.6m). This increase mainly consisted of provisions amounting to EUR 6.4m for the sales division.

In terms of ROCE, a performance indicator used in the management reporting, the return on capital employed improved from -12.9% to -2.5%, but is still negative due to higher earnings before interest and taxes (EBIT) and the decrease in capital employed, contrary to the prior-year forecast.

Overall statement regarding the progress of business
The progress of SMP AE’s business in 2018/19 was as expected. While the target for revenue was exceeded, the Company significantly outperformed its target for EBIT. This gives us confidence for the future, because the wide range of measures implemented in order to optimize the processes in series production are sustainable and suitable for improving the efficiency of production in the long term.

III. Forecast, opportunities and risks

a. Forecast

Forecast regarding the economy and automotive market
The IMF forecasts growth of global output of 3.3% for the current year. The growth rate will again be dominated by the developing and emerging countries in 2019. The IMF expects that the economies of these countries will grow by 4.4%. China as a driver of the global economy will achieve forecast growth of 6.3%. Fiscal measures in the form of tax relief are expected to support growth in China. India is particularly noteworthy. Growth of the Indian economy will accelerate according to the IMF’s forecast (GDP growth: 7.3%). In Brazil, the economy will grow by 2.1% according to the forecast. GDP growth in Mexico is expected to be slightly weaker than in 2018 (up 1.6%).

A slowdown in economic growth is expected for the industrial countries in 2019. The IMF anticipates an increase of 1.8%. It is expected that growth in the European monetary union will level off again (GDP growth 2019: 1.3%). The effect of the fiscal measures should gradually weaken in the US. For 2019, the IMF expects a growth rate of 2.3%.

According to the forecasts of the German Association of the Automotive Industry (VDA), the global passenger car market will get back on track in 2019 and will grow slightly by 1%.

In the US, the VDA expects that the light vehicles market will maintain the high level of the past years. China saw interrupted growth in 2018. For 2019, the VDA again anticipates slight growth in this automotive hotspot (up 2%). Europe is expected to maintain its currently very high level.
Company-specific forecast
Revenue is expected to fall in relation to the prior year because programs for Daimler at the Schierling site are coming to an end, which will not be fully compensated by new program launches in 2019/2020. Therefore, the focus is on further optimizing our processes. At the same time, we are thinking about measures to increase the value added by the Company by “insourcing”.

We anticipate another increase in headcount for fiscal years 2020/2021 to 2023/2024 due to our order portfolio, which will lead to revenue of more than EUR 200m thanks to the additional Porsche programs starting in 2022/2023.

For our internal performance indicator (EBIT determined on the basis of management reporting) we expect negative EBIT of EUR -7.6m (down 5.4%) due to the reduction in volume. This will also have a negative effect on the ROCE indicator. Due to the improving utilization of capacity from 2020/2021 onwards and the related revenue, we expect to generate positive EBIT from fiscal year 2022/2023 onwards.

In the past year, continuous improvement process (CIP) measures were again implemented in the plants and also in the administrative functions. The relentless pursuit of measures and ideas to continuously improve our processes helped compensate discounts granted to customers and also any price increases on the procurement side.

The Company has access to sufficient financing in the form of loans from SMRPBV group companies, leasing contracts, factoring and supply chain financing in order to face the challenges of 2019/20.

b. Risk report
In the course of its operations, SMP AE is exposed to a number of risks that are inseparably associated with its business activity. We use effective management and monitoring systems to spot risks at an early stage, evaluate them and consistently eliminate them.

Business activity also involves developing and exploiting opportunities in order to safeguard and enhance the Company’s ability to compete.

Taking calculable risks is an integral part of business as part of our risk strategy. Risks that jeopardize the Company’s ability to continue as a going concern, on the other hand, need to be avoided.
Risk management
SMP AE’s risk management system is integrated into all of its planning, management and monitoring processes. The Company’s presence throughout Germany and its decentralized management structure make systematic risk management a necessity. Various policies specify the corresponding principles, processes and responsibilities. We take new findings into account when developing our policies and systems.

The regulations, instructions, implementation provisions and above all regular communication regarding the closed management cycle of planning, controlling and monitoring constitute the risk management system for defining, recording and minimizing operating and strategic risks.

We define risks as potential future developments or events resulting in a negative deviation from our forecast.

Successfully managing opportunities and risks is a part of business and a primary task of all managers. Opportunities, risks and optimization measures are systematically dealt with in regular management meetings at all levels of management. Fast, frank and unreserved communication between all management levels regarding risks and pending exceptional situations means that potential risks can be identified and localized at an early stage. Awareness of risk and the organizational integration of risk management into the permanent responsibilities of managers allows them to prevent negative effects on the Company’s assets, liabilities, financial position and financial performance or to keep them to a minimum.

Strategic risks
An assessment of the Company’s strategic risks comes to the same result. The strategic initiatives for advance product development or to improve the quality of products and processes are reviewed regularly, and the resulting findings are discussed by SMP AE’s management with the aim of enhancing the Company’s competitive advantages. One important source of information is regular participation in the relevant associations (VDA/VDI), attending relevant trade fairs and events, and systematically analyzing discussions with suppliers.
The barriers to market entry in the automotive supplier sector are very high on account of the long-standing relationships between suppliers and automotive manufacturers as well as the quality requirements. That is why strategic changes become apparent in the market at an early stage. We consider the likelihood of strategic risks occurring to be low. The potential impacts of these risks on the Company’s ability to achieve our projected targets for revenue and profit are moderate.
Market risks
On account of its product structure and customer base, SMP AE is almost entirely dependent on the development of the automotive industry. The economic development of this sector exerts a decisive influence over the Company’s current and future revenue as well as its financial capacity. SMP AE’s reliance on a small number of important customers constitutes a risk. The focus of the sales activities on new orders from automotive manufacturers that have only made minor contributions to SMP AE’s revenue in recent years is aimed at balancing out and expanding the customer portfolio and is the basis for future growth. Since the acquisition of SMP AE by the Samvardhana Motherson Group, significant progress has been made with regard to the revenue mix.

The cycles for awarding contracts in the product divisions are long-term in nature (generally five to eight years). That is why the effects of a strategic optimization can only be reflected in the long-term corporate planning. The long contract terms are however also the foundation for a high degree of security in terms of a stable situation with respect to revenue in the years to come, also because customers are tied to SMP AE for the same periods of time.

SMP addresses the pressure on prices by initiating improvements to processes at an early stage, reducing quality-related costs (including by reducing wastage and optimizing operating and logistics processes, resulting in the improved utilization of equipment and enhanced productivity in all production units). Membership of the Samvardhana Motherson Group also offers new potential for synergies and the vertical integration of services and component production.

The automotive industry is generally subject to market fluctuations, which can, for example, be influenced by trends in the global financial market as well as turbulence in the euro zone. The global financial and consumer crises of 2008 and 2009 had a strong impact on vehicle sales in Europe and the US, and therefore also on SMP AE’s call-off volumes. Although the market has now fully recovered, a recurrence of such an event cannot be ruled out. The economic development of the “BRIC” countries plays an important role in the global growth of global car sales. However, social, infrastructural, economic and political developments in these regions are difficult to predict.

There is also always a latent risk of declining call-offs from the Volkswagen Group, BMW and Daimler as a result of the accusations of manipulation relating to the emissions figures for diesel vehicles. We also see this latent risk with respect to Porsche on account of new exhaust testing cycles/processes. There already was a noticeable decline in revenue with our customers as a result of this in fiscal year 2018/19, a sharp drop in the unit sales figures for the vehicle models that we supply (even a temporary one) could have a noticeable impact on our planned targets. We nevertheless assume that this risk with respect to our planning should be limited.
SMP AE’s business in Germany also depends on the trends in the US and the BRIC countries on account of the high volume of vehicle exports from Europe to those regions. The resurgence of protectionism, which is currently becoming apparent in the US with the announcement of increased import tariffs on passenger cars from Europe as well as the UK’s exit from the EU, puts jobs at risk in the German automotive industry and therefore also at SMP. But we also assume in this case that production volumes will not fall significantly in the short to medium term, and that the impact on our planning will be limited.

We consider the likelihood of the market risks described eventuating to be low to moderate overall. We consider the potential impacts of these risks on the Company’s ability to achieve our projected targets for revenue and profit to be moderate.

**Procurement risks**

The Company has not changed its assessment of the procurement risks it faces. The prices of raw materials for plastic products are largely dependent on the trend for the price of crude oil. This applies to both plastic granulates and paints. These purchase price fluctuations are passed on to customers with a delay and only in proportion to the procurement volumes specified by the customers by means of agreements with said customers that generally specify the raw materials/suppliers to be used. The willingness to consider at least two alternative raw materials in all projects resulted in a certain capacity to negotiate price increases to a limited extent. Contracts for the supply of energy and gas were generally concluded for a term of one year.

SMP AE’s other procurement volumes are also protected in terms of price and quality as well as volume by long-term procurement agreements. There is a high degree of certainty with respect to costs, as well as the capacity to change suppliers in the medium term. The purchases department is instructed to regularly review the costs and possibilities for the substitution of certain materials. The financial solvency and reliability of suppliers is also routinely verified.

Current risks in the supply market for injection-molded parts with low machinery tonnages are eliminated by outsourcing to Indian affiliates.

We consider the likelihood of the procurement risks described occurring to be moderate. We consider the potential impacts of these risks on the Company’s ability to achieve our projected targets for revenue and profit to be moderate to high.
Location risks
There were no changes with respect to the location of the Company’s production facilities in the past fiscal year. The close logistics links with customers necessitate production in Germany in close proximity to the customer’s destination plant. The close links with customers and relatively capital-intensive production equipment, for which the procurement lead times are generally very long, would lead to considerable risks if a plant were to drop out due to force majeure. This risk is exacerbated by the just-in-time and just-in-sequence delivery arrangements, which limit response times in the event of disruptions to a few hours at most. In order to minimize this risk, “alarm chains” have been installed that notify specialists for the rectification of technical problems as well as the customers affected in the event of disruptions. This results in very short response times when necessary. In emergencies, there is an alternative production system already in place to prevent interruptions to customers’ production activities.

The Company’s premises are not situated in an area that is subject to an above-average risk of natural disasters. Regular checks of the preventive safety facilities that have been installed ensure a high degree of reliability for production. Costly structural fire prevention measures have been implemented at the production plant. Reserve inventories are also maintained in accordance with the Company’s agreements with customers.

Adequate property and loss of profit insurance has been taken out to cover this risk.

We consider the likelihood of the location risks described eventuating to be low. We consider the potential impacts of these risks on the Company’s ability to achieve our projected targets for revenue and profit to be substantial.

Personnel risks
The risk of bottlenecks (the danger that it will not be possible to fill vacant positions at the Company as planned) is addressed in the long term using internal resources by continuing the needs-based focus of training. Merely the situation regarding applicants for our apprenticeships is not satisfactory. If necessary, the qualification level of potential candidates needs to be raised by means of a stronger focus on internal training units by our training officers.

Efforts aimed at marketing to colleges were further reinforced in 2018/2019 by defining target colleges and increasing the number of theses of future graduates. Measures were defined based on the target colleges in order to position the Company as an attractive employer for the relevant students. It goes without saying that the HR function also successfully participates in the colleges’ regional and multi-regional job markets. Graduates from several disciplines were offered a permanent position at SMP Automotive Exterior GmbH after completion of their theses in HR, Industrial Engineering and logistics planning.
The aim for 2019/2020 is to use targeted personnel marketing measures so that the Company is perceived as an employer of choice. The strategic development of an employer brand was already successfully completed in the past. The “emcruit” employee recommendation program introduced in 2016/2017 has continues to prove its value with individual vacancies.

Statutory occupational health and safety requirements are complied with. Days absent due to sickness are recorded, and employees who are sick for more than 42 days in a given calendar year are offered reintegration services. The comprehensive risk assessment required by Sec. 5 ArbSchG [“Arbeitsschutzgesetz”: German Occupational Health and Safety Act] is also carried out. Our local occupational health and safety specialist provided managers various internal courses of training on how to prepare professional risk assessments. The introduction of shift patterns that are more appealing from a health perspective was also taken into account when adjusting the models for working hours at the plant.

The Company addresses the risk to health by continuing to reinforce its company health management (CHM) measures. A number of individual campaigns took place in fiscal year 2018/2019 dealing with musculoskeletal, cardiovascular and mental strains as well as potential individual countermeasures. At the end of the fiscal year, a health day at the plant was carried out for all employees in cooperation with a regional health insurance company. Here, among other things, lectures with the focus on “Health in shiftwork” were offered and enjoyed high attendance. Another measure is an employee-oriented cooperation model with a local health studio and gym, which is supported by SMP.

There currently are risks related to filling individual specialist positions in the field of tooling and quality management. The applicant situation is critical in these two working areas and requires above-average onboarding.

Another risk factor is the support of other greenfield locations. There are insufficient specialist human resources available, as a result of which secondments to greenfields cannot be executed without being noticed.

We consider the likelihood of the personnel risks described eventuating to be moderate. This process of training and onboarding new employees can be completed at additional cost based on past experience. External support might also be needed, which may entail higher costs, but does not pose a risk on supplying customers.

IT risks
As a global tier-1 automotive supplier, SMP AE is integrated into automotive manufacturers’ just-in-time/just-in-sequence supply chains. IT systems therefore represent a crucial component of the internal value added and logistics process. This requires a highly integrated system landscape with IT support at almost every workstation, both on the shop floor and in office areas.
Outages and disruptions in the IT environment (such as system outages, loss of data, security loopholes etc.) usually have a direct impact on the Company’s ability to make deliveries to customers.

As a result, corresponding priority must be assigned to IT and IT security within the Company. It is to be assumed that this trend will be amplified in the years ahead by “Industry 4.0” and digital transformation concepts, and that IT solutions will make up a greater share of the value added process.

As part of a hosting outsourcing agreement with T-Systems, all important high-availability systems (e.g. SAP ERP) have been transferred to a T-Systems data processing center as a private cloud solution, where they are run as an IaaS solution. A corresponding ISAE 3402 Type II Report has been submitted for these services that confirms proper operation and does not identify any material risks.

There were no data processing center outages with an effect on operations in the past year, which means that availability is 100% (apart from planned standard maintenance work).

An agreement dated 4 December 2014 transferred IT operations management from T-Systems to MothersonSumi Infotekk and Design GmbH (MIND). The use of business critical applications (e.g., MES, JIT, EDI, etc.) is secured by highly available IT solutions that are safeguarded by corresponding data protection mechanisms.

The Process and Information Management (PIM) unit is SMP’s internal IT function and among other things provides the interface for all of the Company’s process and IT functions. This is also where all projects and change requests are channeled, prioritized, planned and implemented or forwarded to the relevant providers.

All IT projects are prioritized, evaluated and approved for implementation by means of a standardized portfolio and project management process. The risks of non-implementation are evaluated, as are the actual benefits of the project. This process also includes standardized approval and implementation.

The IT change management process has been expanded again, and in addition to prioritization and risk evaluation also includes clear specifications for testing as well as rollbacks in the event of errors. Approval is given by the “Change Advisory Board”, which meets every week to discuss and evaluate all of the consequences and risks to operations before giving approval.

In order to ensure the 100% availability of the production supply chain and deal with the associated risks in the event of a system outage, manual contingency plans have been introduced and established at the SMP Group.

We consider the likelihood of the IT risks described occurring to be low. The potential impacts of these risks on the Company’s ability to achieve our projected targets for revenue and profit could be severe.
Financial risks
The Company is exposed to a range of financial risks. These currently mainly comprise default risks in connection with receivables from customers, performance by suppliers, liquidity risks and risks relating to interest and exchange rate fluctuations.

Receivable default risks are all but eliminated by means of the preventive assessment of the creditworthiness of non-OEM customers as well as the ongoing monitoring of compliance with agreed payment deadlines for all customers. Monitoring and creditworthiness assessments are also carried out regularly with respect to suppliers. Replacement suppliers are built up if critical trends are identified.

SMP AE’s liquidity is monitored by means of the continuous assessment and liquidity reporting of the anticipated incoming payments and necessary cash outflows. Currency-related risks with respect to both customers and suppliers are largely avoided by concluding contracts in euros. The only applicable interest rate fluctuation risks relate to the variable-interest factoring agreements, but these are not significant. Interest and exchange rate risks are monitored by the Treasury unit in partnership with the Regional Chairman Offices of the Motherson Group, and any identified risks are hedged in a targeted manner in the event of future necessity.

We consider the likelihood of the financial risks described above eventuating to be low. We consider the potential impacts of these risks on the Company’s ability to achieve our projected targets for revenue and profit to be moderate.

Liability risks
SMP AE’s products can be classified as non-critical and not relevant for the purposes of vehicle safety.

The remaining risks associated with product and manufacturer liability claims are insured by liability insurance from XL Insurance Company SE. The risk of costs being passed on in the event of vehicle recalls by customers due to defects in supplied parts is insured up to an amount of EUR 10.0m. Another EUR 15.0m is available from an excess liability insurance policy with QBE Insurance Europe (Limited) within the Samvardhana Motherson Group.

SMP AE’s procedures and processes are optimized by means of effective measures aimed at reinforcing process reliability and quality management. This, and to no small extent, the quality management system that has been certified in accordance with ISO/TS 16949:2009, keep liability risks to a minimum thanks to reliable procedures.
Liability risks as an employee, for example for inadequate safety precautions or accidents at the workplace, are limited by providing corresponding instruction to all employees on safe conduct in the workplace, as well as by putting the organizational preconditions required by law into place. Sufficient consideration is given to accident prevention in particular by the prioritization of workplace safety throughout SMP AE through the work of the GUSi officers (GUSi = Gesundheitsförderung, Umweltschutz und Sicherheit (health promotion, environmental protection and safety), i.e. tours, information and instructions on how to avoid, assess and report accidents with efforts to ensure countermeasures in all units. The occupational health and safety management system is certified in accordance with OHSAS 18001:2007.

The liability risks relating to harm to the environment can be considered low on account of the regular checks of technical equipment, checking and certification in accordance with DIN 14001:2004 and the compliance of the environmental management system with EC Regulation 1221/2009 pursuant to EMAS registration. All facilities that are relevant for environmental purposes are covered by environmental liability insurance. Any claims against SMP AE on the basis of USchadG ["Gesetz über die Vermeidung und Sanierung von Umweltschäden": German Act Governing the Prevention and Restoration of Harm to the Environment] or other national implementing laws based on the European Environmental Liability Directive (2004/35/EC) are covered by environmental damage insurance.

We consider the likelihood of the liability risks described occurring to be low. We consider the potential impacts of these risks on the Company’s ability to achieve our projected targets for revenue and profit to be moderate.

c. Opportunity report

The constant pursuit of our strategy and the vertical integration of SMP AE into the Samvardhana Motherson Group presents numerous opportunities for savings for the Company. The Company has extensive opportunities to fall back on cost-effective suppliers within the Group.

The portfolio of customers can be made more balanced thanks to the owner’s excellent customer relationships with Daimler and various Japanese customers. Major projects received in Mexico and the US in particular emphasize SMP’s strong ranking among the top automotive suppliers.

Both the North American and the Asian market are open to SMP and its Group resulting in opportunities to further optimize the product range. With the Samvardhana Motherson Group opening up the future growth markets (US, India and China), great opportunities arise for SMP to be successful on the automotive supplier market, both in series production and engineering.

Further integration of the intragroup CAD service providers and tool makers will lead to a fast improvement in the projects (both from a financial and time perspective). The well-equipped machinery pool at the intragroup tool maker in India will be a significant addition to the supplier list for tools and other equipment.
Reliable supplies and pricing advantages present additional opportunities for enhancing the value added for existing products. The bundling of various different materials and purchased parts offer enormous potential for SMP and the other companies of the Samvardhana Motherson Group to reduce costs in the procurement sector. The exploitation of this potential has already begun, and is set to pick up even more in the years ahead.

The exchange and interest rate risks listed under financial risks are offset by the opportunities that the factors referred to could also change in a way that is beneficial to the Company. Exchange and interest rate risks are monitored with the help of an organization created specifically for that purpose within the Samvardhana Motherson Group.

Opportunities arising from research and development thanks to continuous innovation are an integral component of our strategy and already taken into account in our forecast. There are also opportunities relating to a market response to new developments that exceeds expectations as well as the development of superior innovations not previously envisaged.

The headquarters and engineering department have been added to the CIP program alongside the production, procurement and sales departments so that there are opportunities for further cost reductions.

The risks described under procurement risks are offset by the opportunity that the factors referred to could change in a way that is beneficial to SMP.

The Company’s order backlog still remains at a high level. Thus, the capacity of the plants will be sufficiently utilized by signed orders for the next few years.

d. Overall opportunity and risk profile

Following a thorough assessment, the risks described above are manageable for SMP AE. Regular discussions of the trends for the market, business and competition have not and do not identify any risks to the Company’s ability to continue as a going concern, even on aggregate.

Risks that are not currently classed as significant are being monitored by management in order to identify any negative consequences (which can never be ruled out) and take suitable measures at the appropriate time.

Particular opportunities are seen in the Company’s membership of the Samvardhana Motherson Group, order backlog and customer portfolio, and the owner’s excellent relationships with customers.

We consider the opportunities and risks described above to be balanced with respect to the ability of achieving our projected targets for revenue and net profit.
IV. Advancement of women

SMP Automotive Exterior GmbH has regularly employed more than 500 people since November 2016 and is therefore obliged to set up a supervisory board pursuant to Sec. 1 (1) No. 3 DrittelbG ["Drittelbeteiligungsgesetz": German One-Third Employee Participation Act]. A supervisory board has not yet been set up. The Company's management have not yet completed their discussions regarding the establishment of a supervisory board based on co-determination, and will continue them with a view to achieving an outcome in 2019/2020. The German Act on the Equal Participation of Women and Men in Leadership Positions within the Private Economy and Public Service also requires SMP Automotive Exterior GmbH to define targets for the proportion of women in management as well as the first two management levels below company management, even in the absence of a supervisory board. Deadlines must also be set for achieving these targets. No targets or deadlines have been set thus far.

Schierling, 24 June 2019

SMP Automotive Exterior GmbH
The general manager

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Andreas Heuser
Engagement Terms, Liability and Conditions of Use

We, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, conducted our audit of this financial reporting on behalf of the Company. Besides satisfying the legal disclosure requirement (Sec. 325 HGB [“Handelsgesetzbuch”: German Commercial Code]) for statutory audits, the audit opinion is addressed exclusively to the Company and was issued for internal purposes only. It is not intended for any other purpose or to serve as a decision-making basis for third parties. The result of voluntary audits summarized in the audit opinion is thus not intended to serve as a decision-making basis for third parties and must not be used for purposes other than those intended.

Our work is based on our engagement agreement for the audit of these financial statements including the “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften” [German Public Auditors and Public Audit Firms] as issued by the Institute of Public Auditors in Germany [“Institut der Wirtschaftsprüfer”: IDW] on 1 January 2017.

To clarify, we point out that we assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the audit opinion to reflect events or circumstances arising after it was issued, unless required to do so by law.

It is the sole responsibility of anyone taking note of the summarized result of our work contained in this audit opinion to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.
General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application
(1) These engagement terms apply to contracts between German Public Auditors (Wirtschaftsprüfer) or German Public Audit Firms (Wirtschaftsprüfungsgesellschaften) – hereinafter collectively referred to as “German Public Auditors” – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.
(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rule. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement
(1) The object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (Grundsätze ordnungsmäßiger Berufsausübung). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.
(2) Except for assurance engagements (betriebswirtschaftliche Prüfungen), the consideration of foreign law requires an express written agreement.
(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obliged to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate
(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor’s work. The engaging party will also designate suitable persons to provide information.
(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence
(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor’s staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.
(2) The performance of the engagement to impair the independence of the German Public Auditor of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information
To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor’s professional statement
(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor’s written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.
(2) The use by the engaging party for promotional purposes of the German Public Auditor’s professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification
(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.
(2) The engaging party must assert a claim for the rectification of deficiencies in writing (Textform) [Translators Note: The German term “Textform” means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.
(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor’s professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor’s professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection
(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: Handelsgesetzbuch], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: Wirtschaftsprüferordnung], § 203 StGB [German Criminal Code: Strafgesetzbuch]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances connected to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.
(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability
(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.
(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: Produkthaftungsgesetz], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.
(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.
10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor’s report, he may no longer use this auditor’s report.

If the German Public Auditor has not issued an auditor’s report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor’s written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor’s report, it may no longer be used. If the engaging party has already made use of the auditor’s report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- examination of tax assessments in relation to the taxes referred to in (a)
- negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Inssofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (Steuерberatungsvergütungsverordnung) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (Textform).

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (Textform) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor’s claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (Verbraucherschlichtungsstelle) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (Verbraucherstreitbeilegungsgesetz).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

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