Samvardhana Motherson Innovative Autosystems B.V. & Co. KG
Bruchköbel

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

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft
Translation from the German language

Table of contents

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 auditor’s report or the report thereon are intended for this purpose.
Independent auditor’s report

To Samvardhana Motherson Innovative Autosystems B.V. & Co. KG

Opinions

We have audited the annual financial statements of Samvardhana Motherson Innovative Autosystems B.V. & Co. KG, Bruchköbel, 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 Samvardhana Motherson Innovative Autosystems B.V. & Co. KG for the fiscal year from 1 April 2018 to 31 March 2019.

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 partnerships within the meaning of Sec. 264a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] and give a true and fair view of the assets, liabilities and financial position of the Company as of 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.

Pursuant to Sec. 322 (3) Sentence 1 HGB, 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.

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 commercial partnerships within the meaning of
Sec. 264a (1) HGB, 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 addi-
tion, 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 state-
ments, 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., 24 June 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Wetzel Schmidt
Wirtschaftsprüfer Wirtschaftsprüfer
[German Public Auditor] [German Public Auditor]
Samvardhana Motherson Innovative Autosystems B.V. & Co. KG, Bruchköbel
Balance sheet as of 31 March 2019

<table>
<thead>
<tr>
<th>Assets</th>
<th>31 Mar 2018</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Fixed assets</strong></td>
<td>EUR</td>
<td>EUR</td>
<td>EUR</td>
<td>EUR k</td>
</tr>
<tr>
<td>I. Intangible assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets</td>
<td>1,133,110.09</td>
<td>1,632</td>
<td>3,461,738.12</td>
<td>3,530</td>
</tr>
<tr>
<td>2. Prepayments</td>
<td>2,328,628.03</td>
<td>1,896</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>II. Property, plant and equipment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Plant and machinery</td>
<td>12,415,441.45</td>
<td>8,670</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Other equipment, furniture and fixtures</td>
<td>5,472,566.53</td>
<td>4,085</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Prepayments and assets under construction</td>
<td>425,060.89</td>
<td>1,164</td>
<td>18,313,068.87</td>
<td>13,919</td>
</tr>
<tr>
<td><strong>B. Current assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I. Inventories</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Raw materials, consumables and supplies</td>
<td>6,951,110.86</td>
<td>5,933</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Work in process</td>
<td>29,728,036.50</td>
<td>27,585</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Finished goods</td>
<td>3,113,973.93</td>
<td>2,797</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Prepayments</td>
<td>0.00</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Prepayments received</td>
<td>-1,690,117.33</td>
<td>-497</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>II. Receivables and other assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Trade receivables</td>
<td>14,879,108.15</td>
<td>12,177</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Receivables from affiliates</td>
<td>13,112,556.56</td>
<td>11,361</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Other assets</td>
<td>1,102,561.08</td>
<td>1,816</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>III. Cash on hand, bank balances and checks</strong></td>
<td>29,094,225.79</td>
<td>25,354</td>
<td>74,378,708.24</td>
<td>66,646</td>
</tr>
<tr>
<td><strong>C. Prepaid expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity and liabilities</th>
<th>31 Mar 2018</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share in capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Capital shares of the general partner</td>
<td>0.00</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Capital shares of the limited partner</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed capital</td>
<td></td>
<td>500.00</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Variable capital</td>
<td></td>
<td>36,280,706.70</td>
<td>45,942</td>
<td></td>
</tr>
<tr>
<td><strong>B. Provisions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Tax provisions</td>
<td></td>
<td>221,986.65</td>
<td>222</td>
<td></td>
</tr>
<tr>
<td>2. Other provisions</td>
<td></td>
<td>15,184,828.57</td>
<td>12,594</td>
<td></td>
</tr>
<tr>
<td><strong>C. Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Trade payables</td>
<td></td>
<td>19,143,552.46</td>
<td>14,736</td>
<td></td>
</tr>
<tr>
<td>2. Liabilities to affiliates</td>
<td></td>
<td>20,511,627.61</td>
<td>7,256</td>
<td></td>
</tr>
<tr>
<td>3. Other liabilities</td>
<td></td>
<td>5,492,713.77</td>
<td>5,917</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>45,147,893.84</td>
<td>27,909</td>
<td></td>
</tr>
</tbody>
</table>
### Income statement for the period from 1 April 2018 to 31 March 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>2017/2018 EUR</th>
<th>2016/2017 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Revenue</td>
<td>181,311,273.92</td>
<td>213,958,000.00</td>
</tr>
<tr>
<td>2. Increase (prior year: decrease) in finished goods and work in process</td>
<td>2,459,979.51</td>
<td>-2,976,000.00</td>
</tr>
<tr>
<td>3. Other own work capitalized</td>
<td>505,674.55</td>
<td>474,000.00</td>
</tr>
<tr>
<td>4. Other operating income</td>
<td>2,159,369.86</td>
<td>1,836,000.00</td>
</tr>
<tr>
<td></td>
<td>186,436,297.84</td>
<td>213,292,000.00</td>
</tr>
<tr>
<td>5. Cost of materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Cost of raw materials, consumables and supplies and of purchased merchandise</td>
<td>64,287,914.21</td>
<td>71,654,000.00</td>
</tr>
<tr>
<td>b) Cost of purchased services</td>
<td>29,245,741.95</td>
<td>31,089,000.00</td>
</tr>
<tr>
<td></td>
<td>93,533,656.16</td>
<td>102,743,000.00</td>
</tr>
<tr>
<td>6. Personnel expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Wages and salaries</td>
<td>60,695,129.56</td>
<td>60,788,000.00</td>
</tr>
<tr>
<td>b) Social security, pension and other benefit costs</td>
<td>13,672,862.50</td>
<td>13,315,000.00</td>
</tr>
<tr>
<td></td>
<td>74,367,992.06</td>
<td>74,103,000.00</td>
</tr>
<tr>
<td>7. Amortization of intangible assets and depreciation of property, plant and equipment</td>
<td>4,600,286.73</td>
<td>3,777,000.00</td>
</tr>
<tr>
<td>8. Other operating expenses</td>
<td>22,884,667.69</td>
<td>25,723,000.00</td>
</tr>
<tr>
<td></td>
<td>195,386,602.64</td>
<td>206,347,000.00</td>
</tr>
<tr>
<td></td>
<td>-8,950,304.80</td>
<td>6,945,000.00</td>
</tr>
<tr>
<td>9. Other interest and similar income</td>
<td>261,943.99</td>
<td>177,000.00</td>
</tr>
<tr>
<td>10. Interest and similar expenses</td>
<td>721,850.00</td>
<td>155,000.00</td>
</tr>
<tr>
<td></td>
<td>-459,906.01</td>
<td>22,000.00</td>
</tr>
<tr>
<td>11. Income taxes</td>
<td>104,280.48</td>
<td>1,047,000.00</td>
</tr>
<tr>
<td>12. Earnings after taxes</td>
<td>-9,514,491.29</td>
<td>5,920,000.00</td>
</tr>
<tr>
<td>13. Other taxes</td>
<td>147,352.26</td>
<td>131,000.00</td>
</tr>
<tr>
<td>14. Net loss for the year (prior year: net income)</td>
<td>-9,661,843.55</td>
<td>5,789,000.00</td>
</tr>
<tr>
<td>15. Charged (prior year: credited from) to variable capital of limited partner</td>
<td>9,661,843.55</td>
<td>-5,789,000.00</td>
</tr>
<tr>
<td>16. Net income/loss after appropriation</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>
Notes to the financial statements of Samvardhana Motherson Innovative Autosystems B.V. & Co. KG, Bruchköbel, for the fiscal year from 1 April 2018 to 31 March 2019

General

Samvardhana Motherson Peguform GmbH ("SMP GmbH"), Gelnhausen, as limited partner, holds 100% of the capital Samvardhana Motherson Innovative Autosystems B.V. & Co. KG ("SMIA") as of 31 March 2019.

SMIA is entered in the commercial register of Hanau local court under HRA no. 93284. The Company is classified as a large corporation as defined by Sec. 267 (2) HGB ["Handelsgesetzbuch": German Commercial Code] as of the balance sheet date. The Company’s annual financial statements were prepared on the basis of the accounting provisions of the German Commercial Code pursuant to Sec. 242 et seq. and Sec. 264a in compliance with Sec. 267 HGB for large corporations.

The assets and liabilities acquired (“asset deal”) in connection with the takeover of the business operations of Kunststoff-Technik Scherer & Trier GmbH & Co. KG ("S&T") as of 30 January 2015 were initially recorded at fair value. The fair value of fixed assets is largely based on their economic useful lives. Customer contracts and technology are valued using the discounted cash flow method and assumptions are made with regard to future business plans, discount rates, license rates and marketability. The fair value of inventories is based on the seller’s book value and the Company’s estimates with regard to the potential sale of raw materials as well as the estimated purchase prices of finished goods and work in process.

The purchase price fell short of the fair value by EUR 13,328k. This difference was distributed to assets in proportion to their fair value, so that fixed assets of EUR 6,590k were recognized after reduction.

The income statement was prepared using the nature of expense method.

Recognition and measurement policies

**Intangible assets** are carried at acquisition cost and reduced by amortization using the straight-line method. Extraordinary write-downs to the lower of cost or market were carried out in cases where impairment is expected to be permanent.

Intangible assets mainly contain software licenses acquired as part of the asset deal and the customer base. The economic useful life applied ranges from one to ten 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: operating facilities 1 to 25 years, plant and machinery 3 to 15 years, other equipment 1 to 25 years as well as furniture and fixtures 3 to 10 years.

As a result of the asset deal, the economic useful life of individual assets are below the figures stated above due to the remaining useful life.

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.

Raw materials, consumables and supplies were recognized at the lower of average cost or market after considering a flat-rate cash discount. Allowances due to reduced salability were taken into account.

Finished goods and work in process 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.

Prepayments are stated at nominal value.

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

Cash and cash equivalents are valued at their nominal value.

Expenses recorded before the balance sheet date that relate to a certain period after this date are posted as prepaid expenses.

Equity is recognized at nominal value.

Provisions account for all recognizable risks and all uncertain liabilities. They are recognized at the settlement value deemed necessary according to prudent business judgment and account for all 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 average market interest rate of the past seven years as published by Deutsche Bundesbank.

The provisions for long-service awards were discounted using an interest rate of 2.26% for a residual term of 15 years and the probable employee turnover of 5.02%.

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.

To determine deferred taxes arising due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, the resulting tax burden and relief are valued using the company-specific tax rate (29%) at the time the differences reverse; these amounts are not discounted. Deferred tax assets and deferred tax liabilities are offset. The option to recognize net deferred tax assets arising from provisions was not exercised.

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 1 to the notes).

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>12,177</td>
<td>14,879</td>
</tr>
<tr>
<td>Receivables from affiliates</td>
<td>11,361</td>
<td>13,113</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,816</td>
<td>1,102</td>
</tr>
<tr>
<td><strong>Total receivables and other assets</strong></td>
<td><strong>25,354</strong></td>
<td><strong>29,094</strong></td>
</tr>
</tbody>
</table>

Of trade receivables, EUR 9,614k relates to amortization receivables for tools (prior year: EUR 8,839k), EUR 6,806k of which is due in more than one year (prior year: EUR 6,840k).

Receivables from affiliates contain trade receivables of EUR 3,125k (prior year: EUR 8,318k), other receivables of EUR 1k (prior year: EUR 43k) and a loan to SM Real Estate of EUR 2,500k (prior year: EUR 3,000k) as well as a loan to SMIA Mexico of EUR 7,486k. Loans are due in more than one year. All other receivables and other assets are due within one year.

Equity

The limited partner’s contribution of EUR 3,000,500 was fully paid in.
Other provisions

Other provisions primarily consist of provisions for personnel-related matters of EUR 8,529k (prior year: EUR 6,620k), for outstanding invoices of EUR 2,050k (prior year: EUR 2,987k), for potential losses of EUR 781k (prior year: EUR 141k), for sales-related matters of EUR 1,611k (prior year: EUR 1,337k) and for warranties of EUR 596k (prior year: EUR 671k).

Liabilities

by residual term
(prior-year figures in brackets)

<table>
<thead>
<tr>
<th>EUR k</th>
<th>Total</th>
<th>up to one year</th>
<th>more than one year</th>
<th>more than five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>19,143 (14,736)</td>
<td>19,143 (14,736)</td>
<td>0 (0)</td>
<td>0 (0)</td>
</tr>
<tr>
<td>Liabilities to affiliates</td>
<td>20,512 (7,256)</td>
<td>712 (256)</td>
<td>19,800 (7,000)</td>
<td>0 (0)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>5,493 (5,917)</td>
<td>5,493 (5,917)</td>
<td>0 (0)</td>
<td>0 (0)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>45,148 (27,909)</strong></td>
<td><strong>25,348 (20,909)</strong></td>
<td><strong>19,800 (7,000)</strong></td>
<td><strong>0 (0)</strong></td>
</tr>
</tbody>
</table>

Liabilities to affiliates consist of trade payables of EUR 437k (prior year: EUR 222k) and a loan from SMRP B.V. of EUR 20,075k (prior year: EUR 7,034k).

Of other liabilities, an amount of EUR 1,892k (prior year: EUR 1,194k) relates to taxes and EUR 91k (prior year: EUR 92k) 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>163,245</td>
<td>138,074</td>
</tr>
<tr>
<td>Engineering</td>
<td>40,375</td>
<td>34,439</td>
</tr>
<tr>
<td>Other</td>
<td>10,338</td>
<td>8,798</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>213,958</strong></td>
<td><strong>181,311</strong></td>
</tr>
</tbody>
</table>

#### Revenue by sales regions

<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>Germany</td>
<td>157,328</td>
<td>141,886</td>
</tr>
<tr>
<td>Other EU countries</td>
<td>40,688</td>
<td>26,022</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>15,942</td>
<td>13,403</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>213,958</strong></td>
<td><strong>181,311</strong></td>
</tr>
</tbody>
</table>
### Other operating income

<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>Income from the disposal of fixed assets&lt;sup&gt;1)&lt;/sup&gt;</td>
<td>110</td>
<td>25</td>
</tr>
<tr>
<td>Reversal of provisions&lt;sup&gt;1)&lt;/sup&gt;</td>
<td>83</td>
<td>13</td>
</tr>
<tr>
<td>Other income from energy tax reimbursement</td>
<td>424</td>
<td>272</td>
</tr>
<tr>
<td>Proceeds from insurance</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Exchange rate gains</td>
<td>6</td>
<td>18</td>
</tr>
<tr>
<td>Reversal of valuation allowances&lt;sup&gt;1)&lt;/sup&gt;</td>
<td>23</td>
<td>22</td>
</tr>
<tr>
<td>Personnel related income</td>
<td>316</td>
<td>351</td>
</tr>
<tr>
<td>Cost allocation to affiliates</td>
<td>545</td>
<td>312</td>
</tr>
<tr>
<td>Derecognition of liabilities&lt;sup&gt;1)&lt;/sup&gt;</td>
<td>0</td>
<td>950</td>
</tr>
<tr>
<td>Sundry other operating income</td>
<td>324</td>
<td>188</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,836</strong></td>
<td><strong>2,159</strong></td>
</tr>
</tbody>
</table>

<sup>1)</sup> Relating to other periods

### 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 2017 to 31 Mar 2018</th>
<th>1 Apr 2018 to 31 Mar 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>60,788</td>
<td>60,695</td>
</tr>
<tr>
<td>Social security</td>
<td>11,930</td>
<td>12,303</td>
</tr>
<tr>
<td>Pension costs</td>
<td>1,385</td>
<td>1,370</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>74,103</strong></td>
<td><strong>74,368</strong></td>
</tr>
</tbody>
</table>

Personnel expenses include extraordinary expenses of EUR 2,700k (prior year: EUR 0k) for the social plan related to restructuring.
## Other operating expenses

<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><strong>Operating expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased services for maintenance</td>
<td>10,158</td>
<td>8,330</td>
</tr>
<tr>
<td>Other leasing expenses, rent and leases</td>
<td>4,065</td>
<td>3,996</td>
</tr>
<tr>
<td></td>
<td>14,223</td>
<td>12,326</td>
</tr>
<tr>
<td><strong>Administrative expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third-party IT services</td>
<td>1,939</td>
<td>2,399</td>
</tr>
<tr>
<td>Insurance premiums</td>
<td>447</td>
<td>443</td>
</tr>
<tr>
<td>Office materials</td>
<td>195</td>
<td>167</td>
</tr>
<tr>
<td>Other administrative expenses</td>
<td>2,601</td>
<td>2,641</td>
</tr>
<tr>
<td>Subsequent charges from employer's liability insurance&lt;sup&gt;1)&lt;/sup&gt;</td>
<td>0</td>
<td>170</td>
</tr>
<tr>
<td></td>
<td>5,182</td>
<td>5,820</td>
</tr>
<tr>
<td><strong>Selling expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Freight costs</td>
<td>1,109</td>
<td>1,090</td>
</tr>
<tr>
<td>Expenses for warranties</td>
<td>3,236</td>
<td>1,429</td>
</tr>
<tr>
<td>Write-downs</td>
<td>42</td>
<td>0</td>
</tr>
<tr>
<td>Other selling expenses</td>
<td>664</td>
<td>474</td>
</tr>
<tr>
<td></td>
<td>5,050</td>
<td>2,991</td>
</tr>
<tr>
<td><strong>Provision for potential losses</strong></td>
<td>0</td>
<td>756</td>
</tr>
<tr>
<td><strong>Other incidental personnel costs</strong></td>
<td>1,215</td>
<td>986</td>
</tr>
<tr>
<td><strong>Exchange rate losses</strong></td>
<td>52</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total other operating expenses</strong></td>
<td><strong>25,723</strong></td>
<td><strong>22,885</strong></td>
</tr>
</tbody>
</table>

<sup>1)</sup> Relating to other periods
Financial result

<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>Interest and similar income (thereof from affiliates)</td>
<td>177</td>
<td>262</td>
</tr>
<tr>
<td>Interest and similar expenses (thereof to affiliates)</td>
<td>155</td>
<td>722</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>460</td>
</tr>
</tbody>
</table>

The total of other interest and similar income comprises the expense of unwinding of the discount of the amortization receivables of EUR 22k (prior year: EUR 33k).

Income taxes

Income taxes include trade tax of EUR 104k (prior year: EUR 1,047k).

Other notes

Other financial obligations

The following obligations are due in the coming fiscal years:

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>937</td>
<td>721</td>
</tr>
<tr>
<td>between one and five years</td>
<td>1,064</td>
<td>696</td>
</tr>
<tr>
<td>after five years</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>2,001</td>
<td>1,417</td>
</tr>
</tbody>
</table>

In addition, as in the prior year, there are other financial obligations of EUR 1.814k annually resulting from lease agreements with affiliates with an indefinite term.

The advantage of these agreements is that less capital is tied up than if the properties had been purchased, and there are also no risks relating to the sale of the properties. Risks could result from the contractual term if it were no longer possible to use the rented/leased assets in full. There is no indication of such a development at present.

Furthermore, a binding purchase agreement totaling EUR 500k for an adhesive joining plant was concluded.

Notes on off-balance-sheet transactions

A factoring agreement with a total financing limit of EUR 25,000k was concluded to optimize the Company’s working capital. As of the balance sheet date, SMIA had sold receivables of EUR 16,576k (prior year: EUR 14,101k) due to this agreement. Thus, SMIA received cash and cash equivalents of this amount from the factoring bank as of
the balance sheet date and the credit risk of the sold receivables of this amount was transferred to the buyers. The risk arising from the variable interest of the financing arrangement up to the date of payment by the customers is deemed immaterial given the current conditions on the capital market for interest rates.

In addition, there are purchase obligations with a maximum volume of EUR 21.6m to suppliers resulting from agreements. However, we anticipate that our purchases will be around and sometimes above the agreed volumes due to regular calls on the standing orders. We therefore do not expect any risks of utilization.

Employees

The average headcount of the Company in the fiscal year from 1 April 2018 to 31 March 2019 breaks down as follows:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production employees</td>
<td>1072</td>
</tr>
<tr>
<td>Administrative employees</td>
<td>734</td>
</tr>
<tr>
<td>Student employees</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,808</strong></td>
</tr>
</tbody>
</table>

Management

Samvardhana Motherson Innovative Autosystems Holding Company B.V., Amsterdam, Netherlands (Kamer van Koophandel no. 62518321) is the general partner of Samvardhana Motherson Innovative Autosystems B.V. & Co. KG. The capital held by the general partner amounts to EUR 0.01.

The general managers of the general partner are:

- Mr. Andreas Heuser,
  Managing Director and Head of Corporate, Europe & Americas-SMG, Bad-Soden-Salmünster
- Mr. Jacob Meint Buit,
  Resident Managing Director, Zwolle, Netherlands (until 14 February 2019)
- Ms. Carola Jäger,
  Director, Brachtttal (since 5 May 2019)
Auditor’s fees

The total fees charged by the auditor for the fiscal year amounted to EUR 110k for audit services.

Exemption from the duty to prepare consolidated financial statements

The Company has been included in the consolidated financial statements and group management report of the Samvardhana Motherson Automotive Systems Group B.V. (SMRP B.V.), Amsterdam, Netherlands, (smallest group of companies). At the highest level, it is consolidated in the consolidated financial statements of Motherson Sumi Systems Limited (MSSL), Noida, India (largest group of companies).

The consolidated financial statements and group management report of SMRP B.V. are prepared in accordance with International Financial Reporting Standards pursuant to ABI. EC No. L 243 Sentence 1 in the latest version (IFRSs) and published in the Bundesanzeiger [German Federal Gazette].
**Subsequent events**

There were no significant events after the balance sheet date.

Bruchköbel, 18 June 2019

Management

..............................................................
Samvardhana Motherson Innovative
Autosystems Holding Company B.V.
represented by Andreas Heuser

..............................................................
Samvardhana Motherson Innovative
Autosystems Holding Company B.V.
represented by Carola Jäger
## Translation from the German language

### Samvardhana Motherson Innovative Autosystems B.V. & Co. KG, Bruchköbel

**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>I. Intangible assets</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>1. Purchased franchises, industrial and similar rights and licenses in such rights and assets</td>
<td>3,878,243.92</td>
<td>185,666.71</td>
<td>0.00</td>
</tr>
<tr>
<td>2. Prepayments</td>
<td>1,897,714.69</td>
<td>560,913.34</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>5,775,958.61</td>
<td>746,580.05</td>
<td>0.00</td>
</tr>
</tbody>
</table>

| II. Property, plant and equipment | | | | | | | | | | | |
|-----------------------------------|---------------------------------|---------------------------------|-----------------|
|                                   | EUR       | EUR       | EUR       | EUR               | EUR       | EUR       | EUR       | EUR       | EUR       | EUR       |
| 1. Plant and machinery | 13,680,722.76 | 4,419,692.32 | 0.51 | 1,608,195.01 | 19,708,609.58 | 5,010,539.68 | 2,282,628.45 | 0.00 | 7,293,168.13 | 12,415,441.45 | 8,670,183.08 |
| 2. Other equipment, furniture and fixtures | 6,589,489.49 | 2,471,244.31 | 13,554.81 | 425,066.93 | 9,472,245.92 | 2,504,062.87 | 1,502,919.33 | 7,302.81 | 3,999,679.39 | 5,472,566.53 | 4,085,426.62 |
| 3. Prepayments and assets under construction | 1,163,601.56 | 1,294,721.27 | 0.00 | -2,033,261.94 | 425,060.89 | 0.00 | 0.00 | 0.00 | 0.00 | 425,060.89 | 1,163,601.56 |
|                                   | 21,433,813.81 | 8,185,657.90 | 13,555.32 | 0.00 | 29,605,916.39 | 7,514,602.55 | 3,785,547.78 | 7,302.81 | 11,292,847.52 | 18,313,068.87 | 13,919,211.26 |
|                                   | 27,209,772.42 | 8,932,237.95 | 13,555.32 | 0.00 | 36,128,455.05 | 9,760,664.14 | 4,600,286.73 | 7,302.81 | 14,353,648.06 | 21,774,806.99 | 17,449,108.28 |
I. Company background

a. Business model of the Company

Samvardhana Motherson Innovative Autosystems B.V. & Co. KG ("SMIA" or the "Company") is a plastics-processing company with focus on the automotive supplier industry. SMIA specializes in developing, producing and selling complex, design-oriented plastic and hybrid components. These are primarily created using injection molding and extrusion, and potentially also in combination with other processing technologies such as stretch-bending and painting. SMIA offers a broad product range for vehicle exteriors, including, among other things, roof trimmings, pillar panels, sill plates, rocker panels and rear spoilers. With regard to vehicle interiors, the Company mainly manufactures trim parts. The automotive industry accounts for 95% of SMIA’s revenue. Germany is the most important sales market, in which SMIA also is the leader for roof trimmings.

Besides product and process development, series production is preceded by construction, manufacturing and sales of customer-specific tools and equipment (engineering services). Hence, SMIA manufactures a large part of its injection moulds and peripheral machinery as well as all of its extrusion tools in its own toolmaking and system engineering operation at the Michelau location.

The Company generates most of its revenue with customers among the German automotive manufacturers. It primarily delivers to their domestic production units. As a result, Germany accounts for a high portion of the Company’s total revenue (78.3%). The other EU countries account for 14.4% of the Company's total revenue, with non-European countries making up the remaining 7.4%.

b. Objectives and strategies

Since January 2015, SMIA has been a part of the Indian Samvardhana Motherson Group ("SMG").
SMG 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. The Group's vision is to be a “Globally Preferred Solutions Provider” for its customers.

Because it is part of SMG, and with almost no overlaps in their product programs, SMIA benefits from significant opportunities and potential, including the synergetic use of shared procurement and sales channels. While collaboration with affiliates of the Group or on group level in procurement already showed considerable success, the possibilities on the sales side have not yet been exploited and are therefore to be focused on. Both the delivery needs of some group companies and customer relationships, which SMG maintains worldwide, offer SMIA considerable potential, which has only been utilized to a low extent to date to increase its utilization of capacity in the medium term.

c. Corporate governance

SMIA’s management team determines the business policies and goals and specifies the business divisions' scope of action and their management teams. This is used as a basis for jointly defining targets for revenue, profitability as well as financial targets, which are constantly communicated and monitored by means of an internal reporting system.

One of the most important key performance indicators is operating profit, which is calculated as EBIT (earnings before interest and taxes). The ratio between this and revenue for the reporting period results in the EBIT margin. EBIT can also be measured in relation to total operating performance. This is calculated based on revenue and changes in inventories of finished and semi-finished parts, as well as own work capitalized. Both indicators are compared with the budget or target figures (and potentially also with figures for the sector), and form a key management tool.

ROCE (“Return On Capital Employed”) has become a crucial indicator since incorporation into SMG. This measures the profitability of the capital used, making it a key performance indicator for any investment decisions and the Company’s success. The operating result (EBIT) is divided by capital employed in order to calculate the ROCE, adding fixed assets, net working capital as well as cash on hand, bank balances and checks.
The management of SMIA maintain a policy to actively and thoroughly inform its workforce and their representatives. In so doing they create a work environment at the Company that is as peaceful as it is productive.

d. Research and development

SMIA boasts extensive research and development capacities, including its own tool and plant engineering facilities, a laboratory and a mixing plant. These facilities and the experts employed there allow the Company to develop innovative product and process concepts independently of third parties, and to implement them of its own accord. The focus is on products and process solutions that are ready for market and competitive.

The automotive manufacturers still have high demand for products that help to reduce vehicle weight. Solutions using thermoplastics appeal to customers because plastic is lighter than metal, but they also want the substitute to preserve most of the properties of the original material such as stability, perceived quality and scratch-resistance. SMIA has extensive know-how in this field, which it is actively developing. These solutions include film-insert-molded trim parts for vehicle interiors that reproduce the appearance and feel of the real material as closely as possible. Unpainted, high-gloss and scratch-resistant pillar covers are also produced using injection molding. In the product segment that generates the most revenue (roof trim strips), metal-reinforced plastic profiles are produced by extrusion, stretch-bent in 3D to fit the curvature of the roof, and painted the colors of the vehicles frequently depending on customer demand. There is increasing use of lacquer foil to replace paint in this product group. The Company is also working on advancing plastic-metal hybrids that combine the high-quality surface feel of the metal with the benefits of plastic (lower price and weight). This “metal insert molding” is one of SMIA’s core technologies, and can use either extrusion or injection molding. Metal insert molding is currently mainly used for non-illuminated door sills.

The illuminated door sill, which was developed in partnership with an associated company on the basis of the non-illuminated door sill, was successfully launched onto the market in the prior year. The customer interest in illuminated components is high for the vehicle interior and exterior. Marketing to the premium segment of the automotive manufacturers has the highest prospects for success. SMIA has already received a series order. Applying the know-how in lighting and in other product groups in order to upgrade the existing product range offers SMIA additional marketing potential.

SMIA employed an average of 202 (prior year: 202) persons in its engineering offices and technical workshops in the fiscal year.
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 a 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.

In 2018, the US automotive market outpaced the prior-year performance 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 domestic market comprised around 3.4 million new car registrations. At 4.4 million vehicles, sales of passenger cars in Japan matched the prior year.

The revenue of Germany's automotive companies rose 0.4% to around EUR 425b. Revenue generated in other countries increased by 1.6%, while revenue from domestic business declined by 1.7%. The automotive industry employed a total of 833,770 people in Germany in December 2018.

b. Significant factors in fiscal year 2018/19

Fiscal year 2018/19 was mainly affected by a 15% fall in revenue from series production compared to the prior year and by the introduction of efficiency-increasing measures in order to keep the negative consequences of the revenue loss on the Company’s bottom line to a minimum. The demand-related reduction in headcount, but also the actively implemented optimization of production processes and internal procedures finally led to lower requirements for directly-employed personnel in the second half of the year. Due to business and production capacities being underutilized in the medium term, focus was placed on winning new orders and restructuring measures were initiated, which affected some of the indirectly employed staff.

Human resources

The reduction in headcount due to weak demand and restructuring measures led to the fact that only 51 contract workers were employed at the end of fiscal year 2018/19 compared to 137 in the prior year and that the permanent staff decreased from 1,866 in the prior year to 1,742 employees as of 31 March 2019. Furthermore, due to the low employment rate management decided to critically examine the existing structures and to initiate restructuring measures. This was announced to the works council at the beginning of March 2019. Management developed a new, leaner organizational structure with significant impact on various business units, which was discussed with the works council in first meetings. With the loss of up to 150 indirectly employed staff, management and the works council initiated discussions to find an accord on a social plan with reconciliation of interests. As of the end of the fiscal year the discussions had not yet been concluded.

The number of trainees in the core workforce came to 90 at the end of the fiscal year (prior year: 93). SMIA offers vocational training for 11 professions. Cooperative courses of study in mechanical and industrial engineering are also offered.
Two 18-month training programs for junior executives and specialists commenced in July 2018 for high-performing young professionals. In addition, necessary technical qualifications as part of external and internal trainings were planned and implemented for all other employees in 2018/19.

The plant managers thanked employees for their long service at monthly ceremonies. All celebrants, pensioners of the current year, employees/trainees with special accomplishments and their supervisors also received an invitation to the traditional year-end party in November 2018.

At the beginning of 2019, a cooperation with an external partner was agreed to help improve the Company’s health management in order to further improve the health and satisfaction of the workforce.

**Purchasing**
Integration in the Samvardhana Motherson Group has presented SMIA with further opportunities to reduce costs on the procurement side in fiscal year 2018/19. As a result, the terms and conditions of purchase agreed on with a number of other suppliers were adapted to the standards of the SMG Group, resulting in higher margins. As in the prior year, focus was also placed on optimizing the terms of payment terms, which contributed to improving working capital. Further suppliers were won for the Supply Chain Finance tool, which via a financing bank ensures payment based on previous terms of payment when offering extended terms of payment to suppliers.

**Investments**
The Company invested EUR 8.9m (prior year: EUR 9.0m) during the reporting period, most of which (about EUR 6.5m) was invested in project-specific machinery and business equipment. Around EUR 0.6m was invested in an SAP project in the reporting year, which commenced in fiscal year 2017/18.

**Engineering**
SMIA develops products specifically for individual customers, working closely with their development departments under a co-designing arrangement. The benefits to the customer and the creativity with respect to product and process solutions play a crucial role and have at times been critical in terms of competition. Upon integration into the Samvardhana Motherson Group, the development engineers of the various group companies have set up forums in which they are constantly holding discussions, generating ideas for products and working together on technical solutions with the aim of achieving the maximum benefit to the customer.
IT
The Samvardhana Motherson Groups includes a company that operates under the name MIND and offers its own software solutions and IT services. This offers SMIA the potential to cut costs and improve efficiency with respect to various applications. At the end of 2017, a project to implement SAP 4 HANA was started, which will replace the current ERP system from INFOR. The project team created worked closely with the key users of the departments in the past fiscal year, identified redundant applications and initiated measures to structure future computer-based procedures and processes in the Company in a very efficient way. The clear aim is connected with the “go live” planned for fiscal year 2020/21 to make the Company more efficient, faster and more competitive.

Environment
Here at SMIA we feel a deep sense of responsibility toward the environment. Compliance with 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 SMIA meets its customers’ demands in terms of reliability and quality. SMIA’s environmental management system has been certified and validated in accordance with DIN EN ISO 14001. SMIA’s energy management system has also been certified and validated in accordance with DIN EN ISO 50001.

c. Position of the Company and development of its business

Financial performance
At EUR 181.3m, revenue lagged significantly behind expectations (prior year: EUR 214.0m).

The phase-out of large-volume series production in the prior year and the rather weak market development in Germany influenced by the new requirements on the standardized testing procedure for measuring fuel consumption and exhaust emissions (WLTP), among other things, led to a decrease in series revenue by EUR 26.7m to EUR 146.9m for SMIA. However, engineering revenue of EUR 34.4m slightly exceeded expectations due to additional orders from the customer Porsche (prior year: EUR 40.4m).
The ratio of cost of materials to total operating performance was 50.8% (prior year: 48.6%). This is calculated as the cost of materials as a percentage of total operating performance (revenue +/- changes in inventories + own work capitalized). The fluctuation of the ratio of cost of materials to total operating performance primarily relates to the engineering business that recorded very different material expenses depending on the project, while the volume of purchased material and services in the series business remained rather stable.

Personnel expenses amounted to EUR 74.4m (prior year: EUR 74.1m). Relative to total operating performance, this accounted for 40.4% (prior year: 35.0%). The strong increase in personnel expenses as a percentage of total operating performance is mainly attributable to the decrease in revenue. Personnel expenses were maintained at the same level as the prior year due to the countermeasures performed in the course of the fiscal year. However, an adjustment to reflect the decrease in headcount was only partly achieved. This is why restructuring was initiated in the last quarter of the fiscal year, aiming for a reduction of structural costs and indirect personnel expenses. Provisions of EUR 2.7m were recognized for potential severance payments for the measures initiated, which will be implemented in the next fiscal year. This corresponds to 1.5 percentage points of the ratio of personnel expenses to total operating performance. Average annualized expenses per employee stood at EUR 41.1k (prior year: EUR 39.6k). The average headcount fell by 60 to 1,808 employees.

Depreciation and amortization for the reporting period amounted to EUR 4.6m (prior year: EUR 3.8m), or 2.5% (prior year: 1.8%) of total operating performance.

At EUR 22.9m (prior year: EUR 25.7m), other operating expenses amounted to 12.4% (prior year: 12.2%) of total operating performance. The largest individual items were maintenance of EUR 8.3m (prior year: EUR 10.2m) and expenses for rents and leases of EUR 4.0m (prior year: EUR 4.1m). The decline by EUR 2.8m compared to the prior year is mainly attributable to the lower maintenance and selling expenses.

The operating result of the fiscal year was negative. EBIT came to EUR -9.0m (prior year: EUR 7.0m).

The financial result was mainly determined by loans taken out from or issued to group companies. The expenses exceeded income by EUR 0.5m (prior year: EUR 0.0m). The financial result thus stood at 0.0% (prior year: 0.0%) of total operating performance.

Income taxes amounted to EUR 0.1m (prior year: EUR 1.0m).
Financial position

There were no financial liabilities to banks as of 31 March 2019. SMIA’s business account was kept in the black. There were financial liabilities to group companies amounting to EUR 20.1m as of the closing date (prior year: EUR 7.0m). These are counterbalanced by SMIA’s financial receivables due from affiliated companies of EUR 10.0m as of 31 March 2019 (prior year: EUR 3.0m). Receivables amounting to EUR 16.6m (prior year: EUR 14.1m) were sold as of the balance sheet on the basis of factoring agreements.

Operating cash flow amounted to EUR 3.0m at the end of the fiscal year. Investments also reduced cash flow by EUR 8.9m. Cash flow from financing activities increased total cash flow by EUR 5.6m. EUR 6.1m of this amount relates to the increase in the inter-company loan that was taken out. Total cash and cash equivalents declined by EUR 0.3m in the reporting year.

SMIA focuses in particular on internal financing, and practices active financial management in order to remain solvent at all times. SMIA’s cash flows are actively managed by means of revolving planning and permanent monitoring. The main focus during the fiscal year was on the opportunities to reduce the amount of capital tied up in net working capital.

Assets and liabilities

Total assets amounted to EUR 96.8m (prior year: EUR 86.7m), an increase of EUR 10.1m on the prior year.

Non-current assets amounted to EUR 21.8m on the reporting date (prior year: EUR 17.5m), a rise of EUR 4.3m in the reporting year.

Current assets recorded an increase of EUR 5.8m on the prior year to EUR 74.4m. While inventories increased by EUR 2.3m, receivables grew by EUR 3.6m during the year to EUR 29.1m as of the balance sheet date. The higher balance of receivables primarily stems from the rise in loans on account of the loan granted to SMIA Mexico.

Other provisions amounted to EUR 15.2m as of the end of the fiscal year and were therefore EUR 2.6m above the prior-year figure. The increase is mainly attributable to the provisions recognized as personnel provisions related to the initiated restructuring measure for severance payments and came to EUR 8.5m (prior year: EUR 6.6m). In addition, provisions of EUR 2.0m for outstanding invoices were included (prior year: EUR 3.0m). EUR 0.8m was set aside for future risks in the tooling/engineering segment (prior year: EUR 0.6m) and EUR 1.6m for the sales function (prior year: EUR 1.3m).
Cash and cash equivalents decreased by EUR 0.3m in relation to the prior year, to EUR 7.2m (please also refer to the comments regarding the Company’s financial position).

With respect to the key performance indicator ROCE, there also is a negative return on the capital employed due to the negative operating result (EBIT), in contrast to the prior-year forecast (prior year: 14.1%).

Overall statement regarding the progress of business

SMIA’s fiscal year was affected by measures to increase efficiency and safeguard the Company’s future. The revenue generated from series products in particular was clearly below expectations. The results also fell short of expectations due to the decrease in revenue with structural costs remaining fixed.

Forecast, opportunities and risks

d. 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 the 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 out 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**

Samvardhana Motherson Innovative Autosystems (SMIA) is expecting revenue of around EUR 190m for fiscal year 2019/20. The market environment for new passenger cars in Europe will not significantly change in 2019, an assumption that is also supported by the VDA’s estimates.

The fiscal year 2019/20 will be used for the necessary restructuring of the organization, more customer orientation, optimization of the cost structures and processes as well as for modernization of the IT systems. Only a slightly positive EBIT margin can be expected with revenue remaining stable. Only a single-digit figure is expected for ROCE on account of the planned investment and the associated increase in capital employed as well as the lower EBIT. The strict implementation of restructuring and optimization measures will help to improve the Company’s efficiency and thus its profitability, which will be noticeable in the operating result. The focus will remain on potential synergies within the Group, both on the procurements and the sales side.

The Company is aiming to avoid any increase in debt in fiscal year 2019/20 despite the not insignificant level of investment.

As a result of market-specific developments and integration into the Samvardhana Motherson Group, SMIA enjoys conditions that offer a good foundation for successfully overcoming the challenges of fiscal year 2019/20.

**Risk report**

In the course of its business, SMIA is exposed to a large number of risks that are an inevitable consequence of entrepreneurial activities. We use effective management and monitoring systems to spot risks at an early stage, evaluate them and consistently eliminate them.

However, business activity does not only imply potential risk, but also potential opportunities that need to be seized in order to prevail against competition from other companies.
According to our risk strategy, taking calculable risks is an integral part of business. Risks that jeopardize the Company’s ability to continue as a going concern, on the other hand, need to be avoided.

**Risk management**

SMIA assesses risks on the basis of its existing risk management system, which comprises the conventional elements of planning, management and monitoring. Corresponding regulations, responsibilities and processes have been defined and integrated into daily business. These include regular analysis of budget deviations in various different units such as finance, project management, procurement etc. as well as regular, firmly established communication within the management team regarding management indicators in order to arrive at a joint assessment of operating and/or strategic risks.

We define risks as potential future developments or events resulting in a negative deviation from our forecast. All managers are responsible for identifying potential deviations such as these at an early stage and preventing or minimizing any negative effects on the Company’s assets, liabilities financial position and financial performance.

**Strategic risks**

The foundation for a lasting and successful strategic direction is customer satisfaction with on-time delivery, the quality of the products supplied, the underlying processes and the initiatives for product innovations. Here, SMIA is in a good position. SMIA is rated as a preferred supplier by nearly all customers. This is also the result of close collaboration with customers in the pre-development phase, targeted development of new product ideas and dialog in sector-specific networks.

It is also very difficult for new suppliers to break into the market in the automotive supply sector due to the extensive requirements of automotive suppliers, which means that major strategic changes in the market quickly become apparent.

We consider the likelihood of strategic risks eventuating to be low. Any effects of such risks on the projected business trend are also mild to moderate.
Market risks

The automotive industry accounts for 95% of SMIA’s business and generates more than ¾ of its revenue in Germany. Overall, SMIA is heavily dependent on the economic development of the German automotive industry. As a tier 1 supplier, at the top of the list in the supply chain, the dependency is only limited to a few automotive manufacturers. This is a fundamental risk for SMIA’s business.

Irrespective of the fact that the new vehicles market is a very cyclical market, the past has proved that premium brands generally hold their ground much better than the medium or lower market segments. Daimler, BMW, Audi and Porsche belong to the premium manufacturers that have their domestic market in Germany and the majority of their production plants. The impact of cyclical market developments can be reduced by focusing on these customers with which SMIA generates the majority of its revenue.

The manufacturers in the premium segment also tend to be more loyal to location than others. Obviously, there are thoughts of preferring other European locations over Germany due to a decline in demand at Ford and Opel. After the takeover of Opel by the PSA Group, there are possibilities regarding the allocation of work to locations and consolidation of the supplier pool related to Opel’s products that could be a market risk for SMIA. SMIA endeavors to develop the relationship with the PSA Group with the support of SMG and to still be considered as a preferred supplier for Ford in the interest of a balanced customer base and revenue structure. Nevertheless, SMIA’s business conduct will remain focused on the less cyclical premium segment in the future.

The development partnerships between the OEMs and SMIA are of fundamental importance for maintaining the business relationships with the premium manufacturers. Innovation as well as expertise in product and process development, which have always been part of SMIA and therefore also its business model, are essential for maintaining these relationships.

Although the focus on the premium sector does not offer any general protection against global crises affecting multiple sectors (as we experienced in 2008/2009), it has still proved to be a robust and forward-looking strategy.

With regard to the new WLTP testing cycle, there still is the risk of bottlenecks on the supply side and thus lower production volumes in the German automotive industry. After the decreases recorded in 2018/19, however, we anticipate that the testing capacities of the automotive manufacturers will increase further and therefore the risk of decreases in revenue due to WLTP will be classed as low for SMIA.
SMIA’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 tendency towards protectionist measures increased in many countries. The US did not stop at idle threats. Even if the increase in import duties often has a negative effect on other countries and industrial goods, the risk remains that customs tariffs for importing passenger cars from Europe will rise. This could lead to employment risks for the German automotive industry and thus also for SMIA. 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.

Our goal is still to expand the non-automotive business, both organically and, if required, inorganically. This is to be achieved with consideration for the group’s “3CX15” target, which states that no more than 15% of revenue should be generated with a single customer or product in any one region.

In the current market environment the risks to the Company’s projected business are therefore to be classed as moderate in terms of both their likelihood of occurrence and their impact on SMIA.

**Procurement risks**

SMIA’s procurement portfolio mainly rests on four central elements: plastic products, paints, aluminum and metal tape, and energy.

The prices for plastic granulates and paints depend to a large extent on the price of crude oil. Changes in the price of crude oil are therefore reflected in SMIA’s procurement prices, with a delay. Resulting price increases can only be passed on to customers to a limited extent. The procurement function is therefore required to constantly monitor changes in the relevant share markets and indexes such as the London Metal Exchange (LME), the C3 Index, etc., and to discuss any trends and developments both with core suppliers and management.

Membership of the Samvardhana Motherson Group improved the procurement situation and reinforced SMIA’s negotiating position with respect to suppliers. Examples of this include SMIA’s inclusion in centrally negotiated framework agreements, or the adoption of centrally negotiated prices. The central commodities of plastic granulates and paints/dyes play a key role in this.

However, the strong global demand for plastics-based raw materials and for industrial metals such as aluminum makes price increases more likely. The difficult political situation in several oil-producing countries (such as Venezuela
and Iraq) and the ongoing tensions between the US and Iran also result in higher risks of an increase in the prices of oil-based raw materials.

This is offset by procurement opportunities for SMIA within the group, with the substitution of existing suppliers and products representing an additional option for the procurement department.

The overall likelihood of procurement risks materializing and the potential impact on the targets for revenue and profit is considered to be moderate.

**Location risks**
SMIA produces its products exclusively at its facility in Michelau, Upper Franconia.

The close links with customers, existing logistical links and relatively capital-intensive production equipment, for which the procurement lead times are generally very long, would lead to considerable risks if the plant in Michelau 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.

The plant in Michelau is not situated in an area that is subject to an above-average risk of natural disasters. Regular, detailed checks of the security arrangements and the safety of production at the facility are standard.

Adequate property and loss of profit insurance has been taken out to cover the aforementioned risks that are specific to the location.

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 Upper Franconia region and therefore also Michelau are among the more structurally weak regions of the German federal state of Bavaria. This means that the region has limited appeal to outsiders compared to metropolitan regions. This makes it difficult to recruit highly qualified personnel from outside the region.
Another challenge for SMIA is to remain attractive as training provider for young people. In the case of restructuring measures to increase the Company's efficiency, there is the risk that SMIA may give rise to the impression of poor future prospects for trainees and students.

On the one hand, it is endeavored to further develop the good reputation as a training provider, which has been very good, and to become more interesting via the cooperation with universities and universities of applied sciences as well as to present the development opportunities at SMIA convincingly at events and fairs, on the other.

In the past fiscal year SMIA employed an average of 90 trainees in all specialist fields.

SMIA especially values advanced training and qualification of its existing workforce, which is why it has set aside a corresponding budget for this in the next fiscal year.

Wage and salary increases in past years have always been modest, allowing the Company to benefit from regional advantages with respect to personnel expenses.

In addition, there are diverse long-term opportunities for the assignment and employment of existing and future employees within the Samvardhana Motherson Group, for instance, as part of internships abroad, secondments or even relocations. This should make SMIA more attractive as an employer.

We consider the likelihood of the personnel 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 low.

**IT risks**

As an automotive supplier, SMIA's IT systems are an important element of its value chain because almost every step in the production process is managed, supported or even secured using corresponding IT applications.

We supply our customers using highly complex logistical processes such as just-in-time and just-in-sequence, which require a highly integrated and highly available system landscape as well as a tightly scheduled supply chain. Disruptions to this environment (such as system outages, data loss, security...
loopholes etc.) have a direct impact on the manufacturing of our products and deliveries to SMIA’s customers.

Corresponding value is attached to IT in general as well as IT security in particular. In order to do justice to this, SMIA’s systems are mirrored in two separate data processing centers and protected against fire, flooding and other external factors using common safety mechanisms. The hardware in the data processing centers is regularly adapted to the growing requirements and data volumes, so bottlenecks or even the loss of data can be ruled out. There were no data processing center outages in the past fiscal year that affected operations.

SMIA is also implementing a project, which commenced in fiscal year 2017/18, aimed at transforming and homogenizing the IT landscape. The goal of the project is to reduce the large number of different systems and accompanying interfaces. The INFOR ERP system, which has been the leading system to date, is being replaced by a modern SAP solution, which will go live in fiscal year 2020/21. This project is another element of modernizing and securing the future of the location.

As part of the Samvardhana Motherson Group, SMIA’s IT unit is also supported by a provider within the group so that system-specific synergies are implemented in a targeted manner and the integration of IT systems is carried out gradually in accordance with the group’s standards.

We consider the likelihood of the IT risks described above materializing and the risks relating to the SAP rollout in particular, to be moderate. 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**

SMIA is exposed to a range of financial risks. These currently comprise default risks in connection with trade receivables, risks in relation to supplier services, liquidity risks and the financing of future engineering projects.

Counterparty credit 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 terms of payment for all customers. The sale of part of the trade receivables without recourse also significantly reduces the counterparty credit default risk.
Monitoring and creditworthiness assessments are also carried out regularly with respect to suppliers as part of the Company’s supplier development activities. Replacement suppliers are established if critical trends are identified. SMIA’s liquidity is monitored by means of a continuous assessment and rolling, constantly updated cash flow projections, which anticipate 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 agreement of fixed interest rates for the entire duration of the most important lease agreement as well as for any inter-company loans that are required reduces the risks of interest rate fluctuations.

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**

SMIA’s products are classed as non-critical for vehicle safety, which means that the risk associated with vehicle recalls and field damage is limited.

The remaining risks relating to product and producer liability claims are covered by liability insurance, or, if they are not insured, they are covered by adequate provisions.

Procedures and processes are audited regularly, and their stability and reliability are reflected among other things by certification in accordance with IATF 16949, which superseded ISO/TS 16949. The liability risks associated with damage to the environment are also considered to be low. Regular checks of technical equipment and strict environmental and energy management facilitated certification in accordance with ISO 14001 and DIN EN ISO 50001.

SMIA is also insured for damage to the environment as part of its group membership.

We consider the likelihood of the liability 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 low to moderate.
Opportunity report

As a member of the Samvardhana Motherson Group, SMIA has numerous opportunities to build on its existing business while exploiting potential savings at the same time.

It can, for example, use the group to benefit from connections with British, Asian and American car manufacturers in order to expand its own client portfolio in a targeted manner. First talks with various customers resulted in positive feedback.

SMIA also has access to a global network of production facilities that can be used as a launchpad for its own global expansion. This will allow SMIA to follow its existing customers into the current growth markets (such as China or India).

Another option is the vertical business within the group. SMIA can act as a supplier for other group companies in order to generate additional revenue, which means that the value added remains within the group and no longer needs to be outsourced to third parties. Collaboration in this field was further intensified in the past fiscal year.

Development partnerships within the group are also a possibility, allowing trending and future topics such as the cockpit of the future to be developed jointly for customers and offered as an overall package.

On the cost side there are a number of different synergies, such as those outlined in the section on procurement risks for example. These not only mean that SMIA has a stronger negotiating position for the procurement of various different materials and commodities, but also present an opportunity to shift value added to other group companies and therefore potentially save more money.

SMIA can also benefit from the internal IT service provider MIND, which offers cost-related benefits for IT services while also supporting the ongoing development and homogenization of the existing IT landscape.

Further potential cost reductions lie in the consistent implementation of optimization measures in the fields of production and logistics. Despite the improvements achieved in the past fiscal year, the current measure programs still offer numerous opportunities.
f. Overall risk and opportunity profile

Following a thorough assessment, the risks described above are manageable for SMIA. Regular observation and analyses of the trends in 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, and at best to anticipate, any negative consequences (which can never be ruled out) and take suitable measures at the appropriate time.

Opportunities are primarily perceived in SMIA’s vertical integration within the Samvardhana Motherson Group, the resulting synergies, the owner’s excellent relationships with customers and the existing global production platform.
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.

Bruchköbel, 18 June 2019

Management

Samvardhana Motherson Innovative Autosystems Holding Company B.V.
represented by Andreas Heuser

Samvardhana Motherson Innovative Autosystems Holding Company B.V.
represented by Carola Jäger
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.
1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (Wirtschaftsprüfer) or German Public Audit Firms (Wirtschaftsprüfungsgesellschaften) – hereinafter collectively referred to as “German Public Auditors” – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (Grundsätze ordnungsmäßiger Berufsausübung). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (betriebswirtschaftliche Prüfungen), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor’s work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor’s staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor of related firms, firms within his network, or such firms associated with him, to which the independence requirement 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) 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 confidential to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: Produkthaftungsgesetz], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.
(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor’s negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damage encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaRG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

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

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

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

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

11. Supplementary provisions for assistance in tax matters

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

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

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

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

- b) examination of tax assessments in relation to the taxes referred to in (a)

- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

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

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

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