

# SMR Automotive Mirrors Stuttgart GmbH Stuttgart

Short-form audit report  
Annual financial statements and management report  
31 March 2021

*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 attestation report thereon are intended for this purpose.



*Translation of the German independent auditor's report concerning the audit of the annual financial statements and management report prepared in German*

Independent auditor's report

To SMR Automotive Mirrors Stuttgart GmbH

Opinions

We have audited the annual financial statements of SMR Automotive Mirrors Stuttgart GmbH, Stuttgart, which comprise the balance sheet as at 31 March 2021, and the income statement for the fiscal year from 1 April 2020 to 31 March 2021, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of SMR Automotive Mirrors Stuttgart GmbH for the fiscal year from 1 April 2020 to 31 March 2021.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 March 2021 and of its financial performance for the fiscal year from 1 April 2020 to 31 March 2021 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 ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.



*Translation of the German independent auditor's report concerning the audit of the annual financial statements and management report prepared in German*

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

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



*Translation of the German independent auditor's report concerning the audit of the annual financial statements and management report prepared in German*

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

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.



*Translation of the German independent auditor's report concerning the audit of the annual financial statements and management report prepared in German*

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.

*Translation of the German independent auditor's report concerning the audit of the annual financial statements and management report prepared in German*

- 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.

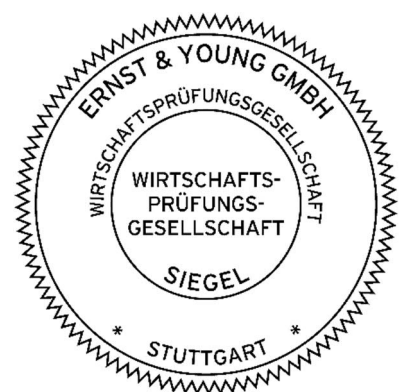
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, 11 June 2021

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Göhner  
Wirtschaftsprüfer  
[German Public Auditor]

Filev  
Wirtschaftsprüfer  
[German Public Auditor]



21-001943



**SMR Automotive Mirrors Stuttgart GmbH, Stuttgart**  
**Income statement for the fiscal year from 1 April 2020 to 31 March 2021**

	EUR	EUR	Prior year EUR k
1. Revenue	50,538,130.29		49,054
2. Other operating income	<u>345,051.22</u>		<u>323</u>
		50,883,181.51	<u>49,377</u>
3. Cost of materials			
a) Cost of raw materials, consumables and supplies and of purchased merchandise	197,049.43		41
b) Cost of purchased services	19,328,438.22		18,695
4. Personnel expenses			
a) Wages and salaries	14,744,166.95		14,841
b) costs	2,490,608.19		2,391
5. Amortization, depreciation and impairment of intangible assets and property, plant and equipment	1,779,375.39		1,576
6. Other operating expenses	<u>11,774,371.36</u>		<u>11,191</u>
		50,314,009.54	<u>48,735</u>
7. Income from equity investments	3,541,459.34		12,274
8. Interest and similar expenses	597,936.31		584
9. Income taxes	<u>407,626.13</u>		<u>0</u>
		2,535,896.90	<u>11,690</u>
10. Earnings after taxes		3,105,068.87	12,332
11. Profit transferred on account of a profit and loss transfer agreement		<u>3,105,068.87</u>	<u>12,333</u>
12. Net income/loss for the year after profit/loss transfer		<u>0.00</u>	<u>0</u>

## **SMR Automotive Mirrors Stuttgart GmbH, Stuttgart**

### **Notes to the financial statements for fiscal year 2020/21**

---

#### **General**

These financial statements were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for large corporations.

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

In order to improve the clarity of presentation, we have included the prescribed disclosures on individual items of the balance sheet or the income statement in the notes to the financial statements exercising the option set out in Sec. 284 (1) HGB.

#### **Disclosures relating to identification**

SMR Automotive Mirrors Stuttgart GmbH has its registered offices in Stuttgart. The Company is entered in the commercial register of Stuttgart local court under HRB no. 265162.

#### **Accounting policies**

The following accounting policies, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements:

**Intangible assets** purchased from third parties and **property, plant and equipment** are recognized at acquisition or production cost and are amortized/depreciated over their useful lives using the straight-line method.

For the measurement of depreciation or amortization, acquisition or production costs are distributed over the fiscal years in which the asset is expected to be used.

Additions to movable fixed assets are depreciated on a month-by-month basis starting in the month of acquisition.

Low-value assets with acquisition or production costs not exceeding EUR 250.00 were recognized as expenses. Assets with acquisition or production costs between EUR 250.00 and EUR 1,000.00 are recognized annually in a collective item. The annual collective items are depreciated by 20% p.a. in the year of acquisition and in each of the following four years.

**Shares in affiliates** are valued at the lower of cost or net realizable value.

**Receivables and other assets** are stated at their nominal value or net realizable value as of the reporting date, whichever is lower. No bad debt allowances were recognized because they were not justified from a business perspective.

**Cash and cash equivalents** are measured at nominal value.

**Prepaid expenses** mainly include maintenance agreements and license fees that have been paid at the beginning of the fiscal year.

**Subscribed capital** is stated at nominal value.

**Pension obligations** as of 31 March 2021 were measured in accordance with actuarial principles using the projected unit credit method. The 2018 G mortality tables of Prof. Dr. Klaus Heubeck were used as the biometric calculation basis for the first time. In accordance with the RückAbzinsV [“Rückstellungsabzinsungsverordnung”: German Ordinance on the Discounting of Provisions] dated 18 November 2009, the average market interest rate of the past 10 years (Sec. 253 (2) Sentence 1 HGB) of 2.19% (prior year: 2.61%) is applied as the actuarial interest rate assuming a remaining term of 15 years. Expected salary increases were taken into account at 3.0% (prior year: 3.0%) and expected pension increases at 1.5% (prior year: 1.5%).

**Other provisions** account for all uncertain liabilities and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment. Provisions with a residual term of more than one year were discounted.

Those assets which serve exclusively to fulfill the obligations for the German phased retirement scheme and deferred compensation and are protected against claims asserted by all other creditors (covering assets as defined by Sec. 246 (2) Sentence 2 HGB) were measured at their fair value and offset against the corresponding provisions. The fair value of the employer's pension liability insurance cover comprises the insurer's unearned premium reserve plus any credit balance from premium refunds (bonus feature).

**Liabilities** are recorded at their settlement value.

**Receivables and liabilities in foreign currency** are recorded using the respective exchange rate on the transaction date. Exchange losses and gains, which arise by the cut-off date by being realized or valued at the closing rate, are recognized in profit or loss if the residual term is less than one year. If the residual term is more than one year, the realization principle applies. The "thereof" currency translation items presented in the income statement include both realized and unrealized exchange differences.

## **Notes to the balance sheet**

### **Fixed assets**

The development of fixed assets in fiscal year 2020/2021 is shown in the attachment to these notes.

The Company holds shares as fixed financial assets in the following companies:

Name, location	Share (%)	Currency	Equity	Net income/net loss for the year
SMR Automotive Vision Systems Mexico S.A. C.V de Mexico 78395 San Luis Potosi, Mexico As of 31 Dec 2020	64.68%	USD	754,946,556	180,881,428
SMR Automotive Systems Spain S.A.U. 50290 Epila, Spain As of 31 Mar 2021	100%	EUR	18,888,103	6,355,313
Samvardhana Motherson Corp. Management Shanghai Co. Ltd, Shanghai, China As of 31 Dec 2020	100%	RNB	14,424,896.03	2,191,829.76

### **Receivables and other assets**

As in the prior year, all receivables and other assets are due in less than one year.

Receivables from affiliates of EUR 14,450k (prior year: EUR 21,982k) result from clearing of trade receivables of EUR 7,499k (prior year: EUR 9,103k) and from cash pooling of EUR 6,951k (prior year: EUR 12,879k).

This item includes receivables of EUR 6,951k (prior year: EUR 12,879k) from the shareholder SMR Automotive Mirror Systems Holding Deutschland GmbH, Stuttgart.

### **Subscribed capital**

The subscribed capital is fully paid in and remains unchanged at EUR 25k.

### **Provisions for pensions and similar obligations**

Pension provisions are measured according to the projected unit credit method by applying an interest rate of 2.19% (prior year: 2.61%) for the first time in accordance with the 2018 G mortality tables of Prof. Dr. Klaus Heubeck. The following assumptions were also used in the calculation:

	2020/21	2019/20
Future salary increases	3.0%	3.0%
Future pension increases	1.5%	1.5%

The difference resulting from the different valuations between the recognition of pension provisions using the seven-year and the ten-year average interest rate comes to EUR 303k (prior year: EUR 311k).

### **Other provisions**

Other provisions of EUR 3,818k (prior year: EUR 1,422k) mainly include provisions for potential customer claims of EUR 1,800k, provisions for the German phased retirement scheme of EUR 641k (prior year: EUR 72k), provisions for long-service awards of EUR 215k (prior year: EUR 194k), provisions for deferred compensation of EUR 74k (prior year: EUR 39k), provisions for vacation of EUR 481k (prior year: EUR 415k), provisions for vacation and Christmas bonus of EUR 322k (prior year: EUR 359k), provisions for flexitime of EUR 144k (prior year: EUR 102k), provisions for outstanding invoices of EUR 453k (prior year: EUR 164k) and provisions for severance payments of EUR 313k (prior year: EUR 43k).

*Translation from the German language*

Information on the offsetting process in accordance  
with Sec. 246 (2) Sentence 2 HGB:

German phased retirement scheme ("Altersteilzeit"):	2020/21 EUR	2019/20 EUR
Acquisition cost of the assets	580,116	358,702
Fair value of the assets	580,116	358,702
Settlement amount of the offset liabilities	581,152	430,369
Offset expenses	5,851	4,751
Offset income	3,079	2,139

Deferred compensation:	2020/21 EUR	2019/20 EUR
Acquisition cost of the assets	26,224	50,752
Fair value of the assets	26,224	50,752
Settlement amount of the offset liabilities	73,646	91,253
Offset expenses	2,382	2,766
Offset income	19,989	1,612

## **Liabilities**

As in the prior year, all liabilities are due within one year.

Liabilities to affiliates of EUR 13,128k (prior year: EUR 24,916k) contain liabilities from ongoing clearing transactions of EUR 1,835k (prior year: EUR 4,164k), liabilities from short-term loans to SMR Automotive Vision Systems Mexico S.A. C.V de Mexico of EUR 8,188k (prior year: EUR 8,419k) and liabilities from profit/loss transfer of EUR 3,105k (prior year: EUR 12,333k).

This item includes all liabilities to the shareholder SMR Automotive Mirror Systems Holding Deutschland GmbH of EUR 3,105k (prior year: EUR 12,333k).

Other liabilities of EUR 262k (prior year: EUR 483k) primarily contain liabilities from wage tax of EUR 249k (prior year: EUR 270k). Other liabilities comprise liabilities relating to social security of EUR 0k (prior year: EUR 3k).



## **Notes to the income statement**

### **Revenue**

	2020 / 2021 EUR	2019 / 2020 EUR
Third parties		
• Germany	3,619,563.87	5,057,661.50
• Other countries	1,867,902.18	3,848,246.40
	<u>5,487,466.05</u>	<u>8,905,907.90</u>
Affiliates		
• Germany	516,956.01	492,149.76
• Other countries	44,533,708.23	39,655,935.18
	<u>45,050,664.24</u>	<u>40,148,084.94</u>
less sales deductions	0	0
	<u>50,538,130.29</u>	<u>49,053,992.84</u>

### **Other operating income**

This item contains income from the reversal of provisions of EUR 0k (prior year: EUR 58k). This item also contains exchange rate gains of EUR 219k.

### **Personnel expenses**

This item contains expenses for pensions of EUR 0k (prior year: EUR 12k).

### **Other operating expenses**

This item contains exchange rate losses of EUR 27k (prior year: exchange rate losses of EUR 573k).

**Income from equity investments**

This item consists entirely of income of EUR 3,541k (prior year: EUR 12,274k) from the affiliates Automotive Systems Spain S.A.U., Epila, Spain, and SMR Automotive Vision Systems Mexico S.A. C.V de Mexico, San Luis Potosi, Mexico.

**Interest and similar expenses**

This item includes interest expenses paid to affiliates of EUR 530k (prior year: EUR 502k). EUR 68k from unwinding the discount on long-term provisions is included in this item (prior year: EUR 82k).

## **Other notes**

### **Contingent liabilities**

There were no other contingent liabilities as of the reporting date.

### **Other financial obligations**

There are financial obligations of EUR 4,464k due to a lease agreement for the office premises at the Wangen office campus up to and including March 2025.

### **Employees (annual average)**

	2020/2021 Number	2019/2020 Number
Wage earners	0	0
Salaried employees	162	168
Trainees	0	0
	162	168

### **General managers**

The Company's general managers in fiscal year 2020/2021

- The general manager with individual powers of representation was:

Laksh Vaaman Sehgal, New Delhi, India, CEO/Chairman

- As general manager with the right to enter into transactions with himself on behalf of the Company while acting as an agent of third parties:

Andreas Heuser, Bad Soden-Salmünster, attorney, Head of Chairman's Office Europe & Americas Samvardhana Motherson Group, Bruchköbel, Germany, executive board member Samvardhana Motherson Peguform GmbH, Freiburg i.Br.

In accordance with Sec. 286 (4) HGB, remuneration of management has not been disclosed.

### **Shareholder and group relationships**

The **sole shareholder** is SMR Automotive Mirror Systems Holding Deutschland GmbH (HRB 725239) with its registered offices in Stuttgart.

The **consolidated financial statements for the largest group of companies**, in which the Company is incorporated, are prepared by Motherson Sumi Systems Ltd., Noida, India. The consolidated financial statements can be obtained from the following address: 2<sup>nd</sup> Floor, F-7, Block B-1, Mohan Cooperative Industrial Estate, Mathura Road, New Delhi – 110044, India, or on the Group's webpage: <https://www.motherson.com/annual-reports.html>.

The **consolidated financial statements for the smallest group of companies**, in which the Company is incorporated, are prepared by Samvardhana Motherson Automotive Systems Group B.V., Amsterdam, Netherlands. The consolidated financial statements can be obtained from the following address: Hoogoorddreef 15, 1101 BA Amsterdam, Netherlands.

### **Audit and consulting fees**

The auditor's fees billed for the fiscal year do not have to be disclosed because they are included in the disclosures in the consolidated financial statements of Motherson Sumi Systems Ltd., Noida, India.

### **Subsequent events**

There were no significant events after the close of fiscal year 2020/2021.

**Profit and loss transfer agreement**

The net income for the year before profit transfer of EUR 3,105k will be transferred in full to SMR Automotive Mirror Systems Holding Deutschland GmbH, Stuttgart, with which a profit and loss transfer agreement and a tax group for corporate income tax purposes is in place.

Stuttgart, 11 June 2021

Laksh Vaaman Sehgal  
(General manager)

Andreas Heuser  
(General manager)

**SMR Automotive Mirrors Stuttgart GmbH**  
**Statement of changes in fixed assets for fiscal year 2020/2021**

	Acquisition and production cost					Accumulated amortization, depreciation and impairment					Net book values	
	1 Apr 2020 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Mar 2021 EUR	1 Apr 2020 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Mar 2021 EUR	31 Mar 2021 EUR	31 Mar 2020 EUR
<b>I. Intangible assets</b>												
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	6,276,789.33	0.00	0.00	192,189.50	6,468,978.83	3,584,959.04	1,256,549.92	0.00	0.00	4,841,508.96	1,627,469.87	2,691,830.29
	6,276,789.33	0.00	0.00	192,189.50	6,468,978.83	3,584,959.04	1,256,549.92	0.00	0.00	4,841,508.96	1,627,469.87	2,691,830.29
<b>II. Property, plant and equipment</b>												
1. Plant and machinery	417,689.36	0.00	0.00	0.00	417,689.36	386,641.61	15,347.48	0.00	0.00	401,989.09	15,700.27	31,047.75
2. Other equipment, furniture and fixtures	5,401,973.74	5,277.39	0.00	333,247.17	5,740,498.30	4,164,679.29	507,477.99	0.00	0.00	4,672,157.28	1,068,341.02	1,237,294.45
3. Prepayments and assets under construction	394,728.06	326,649.53	10,654.07	-525,436.67	185,286.85	0.00	0.00	0.00	0.00	0.00	185,286.85	394,728.06
	6,214,391.16	331,926.92	10,654.07	-192,189.50	6,343,474.51	4,551,320.90	522,825.47	0.00	0.00	5,074,146.37	1,269,328.14	1,663,070.26
<b>III. Financial assets</b>												
Shares in affiliates	1,600,001.00	500,000.00	0.00	0.00	2,100,001.00	0.00	0.00	0.00	0.00	0.00	2,100,001.00	1,600,001.00
	1,100,001.00	500,000.00	0.00	0.00	1,600,001.00	0.00	0.00	0.00	0.00	0.00	2,100,001.00	1,600,001.00
	13,591,181.49	831,926.92	10,654.07	0.00	14,412,454.34	8,136,279.94	1,779,375.39	0.00	0.00	9,915,655.33	4,996,799.01	5,954,901.55

**SMR Automotive Mirrors Stuttgart GmbH, Stuttgart**

**Management report for fiscal year 2020/2021**

The Company develops, manufactures and sells exterior and interior mirrors, mirror parts and alternative systems for the automotive industry and renders international engineering and advisory services to all companies within the Samvardhana Motherson Reflectec (SMR) Group. The SMR Group manufactures for the international automotive industry and has more than 23 locations in 16 countries in Europe, the US, Asia and Australia. As global market leader and innovative partner for vehicle mirrors, the Group is a creative system supplier for its customers. Comprehensive quality awareness in its workforce of more than 9,000 employees (including temporary and contract workers) worldwide ensures its reputation as a dynamic and reliable partner of leading vehicle manufacturers.

**1. Global environment**

The COVID-19 pandemic dominated all economic activities across the world in the past year. Starting in China at the beginning of last year, the necessary countermeasures to contain the spread led to a significant decline in economic output in almost every region around the world over the course of the year. Based on information published by the OECD, real global GDP in 2020 decreased by 3.4% compared to the prior year, marking the worst global recession since the end of the Second World War in the last century.

Economic output in the eurozone countries declined by 6.8% year on year according to data published by the OECD. Due to rising uncertainty, the spread of COVID-19 in Italy starting in February 2020 and the lack of impetus from China, GDP declined sharply already in the first quarter of 2020 compared to the prior-year quarter. In the second quarter, GDP in the eurozone fell by almost 15% compared to the prior year due to the necessary lockdown measures in many eurozone countries, which impacted all economic sectors of the value chain from the industrial sector and the retail industry through to hotels and restaurants. Although the economies recovered in the following quarters, they were not able to reach their prior-year figures. GDP in Germany contracted by 5.3%, while economic output in France decreased by 8.2%. Countries with a strong tourism sector also suffered from reduced travel during the pandemic; thus, GDP decreased by 8.9% in Italy and by 11% in Spain.

The US economy proved to be more resilient to the COVID-19 pandemic than that of the eurozone for example. This is also partly due to the initially less restrictive measures that were put in place to contain the spread of the virus. Nevertheless, overall economic output decreased by 3.5% in the US in 2020 – the steepest decrease seen since 1946. GDP declined by more than 31% (annualized) in the second quarter of the year and industrial production was a good 16% below the prior-year level in April. This resulted in a significant increase in unemployment; in April, the unemployment rate jumped from just over 4% to almost 15%. Although annualized GDP increased again in the following quarters, it could not compensate for the lack of momentum in the first half of the year.

China was the first country affected by the COVID-19 pandemic. However, the government responded quickly with sometimes drastic measures to contain the virus, as a result of which China prevented a second wave unlike Europe and the US. Therefore, the recovery in economic performance was rapid and sustainable. While GDP decreased by around 7% in the first quarter compared to the prior-year period, it increased as the year progressed. GDP growth of 6.5% in the fourth quarter showed that the Chinese economy already returned to its pre-pandemic level at the end of 2020. Therefore, China was the only larger economy that recorded GDP growth in the past fiscal year (2.3%).

For India, the OECD forecasts a 7.4% decline in GDP for fiscal year 20/21. The Mexican economy contracted by 8.5% in the past year. Although the Brazilian and Russian economies were less affected, they also suffered significant downturns with declines in GDP of 4.4% and 3.6%, respectively.

Against the backdrop of these general economic conditions, it was not surprising that the global passenger car market also suffered major losses in 2020. Overall, global demand for passenger cars decreased by 15% and all automotive hotspots recorded declines.

China, the world's biggest passenger car market, was the first automotive hotspot to combat the spread of COVID-19. Passenger car sales had already recorded a double-digit decrease in January 2020. Based on a continuous increase in new coronavirus cases, resulting in the automotive industry also being required to take restrictive measures to contain the virus, there was a significant decline in passenger car sales throughout the country in February and March 2020. However, the recovery commenced as early as April, which meant that a second wave could be prevented over the further course of the year, causing a steady and solid recovery process to take place; from May onwards, all monthly sales figures for passenger cars were above the prior-year figure. Nevertheless, this momentum could not compensate for the declines in the first quarter. China's passenger car market was thus around 6% below the prior-year level in 2020.



The US market for light vehicles made a good start to the past fiscal year, but was soon thwarted by the spread of COVID-19 across the US. Measures such as lockdowns and the closure of non-essential industries in numerous states as well as the resulting macroeconomic slump (e.g., unemployment rate at almost 15% in April) led to considerable declines in light vehicle sales toward the end of the first quarter and throughout the second quarter of the year. However, the recovery process started at the end of the year meaning that over the year 2020 as a whole, the US light vehicle market was almost 15% down on the prior year.

The Western European passenger car market was hit much harder by the COVID-19 pandemic than the Chinese and US markets. Following significant downturns in March, April and May, the number of new vehicle registrations in Western Europe only recovered slowly over the further course of the year. The overall economic decline as well as the ongoing measures to contain the spread of the coronavirus (e.g., closures of dealerships) in various countries slowed the recovery considerably. Thus, the number of new vehicle registrations in Western Europe was 24% lower in 2020 than in the prior year. In terms of the Top 5 markets in Western Europe, Germany was still relatively robust (down 19% in 2020), as it was also supported by various state incentives (reduction of VAT, bonus program for electric vehicles). Demand for passenger cars in the UK declined by 29% and the French market recorded a decrease of around 25%. Italy (down 28%) and Spain (down 32%) also recorded significant declines despite programs initiated to support the automotive industry. In particular, the lack of new registrations in the important car hire industry contributed to this negative result due to the severe tourism restrictions.

A similar picture was seen on the other important automotive markets, with a few exceptions. In Russia, sales of light vehicles were just over 9% down on the prior year in 2020, in Mexico demand declined by 28%. In Brazil, market volume declined by around 27% in 2020. On the Indian passenger car market, sales decreased by almost 18% in the past year. After being hard hit by the COVID-19 pandemic in the first half of 2020, demand for passenger cars in India experienced a strong recovery in the last months of the year, including record growth rates. New vehicle registrations were just over 11% down on the prior-year level in Japan. The automotive markets in Turkey and South Korea bucked the trend in terms of the general development of global automotive markets in 2020. Passenger car sales in Turkey increased by almost 58% in the past year. However, it should be noted here that the Turkish market already experienced a significant downturn in 2019. In South Korea, passenger car sales increased by almost 7% in 2020.

The negative development of the global automotive markets had a corresponding impact on the automotive industry in Germany. The revenue of automotive companies in Germany fell by 13% last year to some EUR 379b. Domestic revenue decreased by 11%, while revenue generated abroad declined by 14%. The headcount also decreased: Last December, the German automotive industry had 796,548 employees, around 26,000 less than at the end of 2019.

## **2. Business and economic environment of SMR Automotive Mirrors Stuttgart GmbH**

Shared services as well as engineering and advisory services are primarily provided to affiliates by the HR, Finance, IT, Sales, Quality, Advance development and Development departments. In January 2021, our quality management system was once again successfully certified in accordance with DIN ISO 9001:2015 and IATF 16949:2016. Furthermore, our management system was supplemented by additional standards for environmental management (ISO 14001:2015) and for occupational health and safety (ISO 45001:2018) in 2019. These standards were certified at corporate level for the first time in 2019. In 2020, our system was successfully examined through surveillance audits at selected locations across the world.

According to management's estimates, macro-economic and industry-specific developments had a negative effect on the business performance in fiscal year 2020/21.

## **3. Financial performance, financial position, assets and liabilities**

Due to the fact that the Company does not generate revenue from series production, which could finance its operating business, services are invoiced to the receiving companies. Prototype revenue and development income with third parties are generated to a small extent.

Cash pooling is in place with SMR Automotive Mirror Systems Holding Deutschland GmbH in order to provide for and optimize existing liquidity. Financial management is performed by Motherson Sumi Systems Limited, Noida, India, to cover liquidity needs and to hedge currency fluctuations. We met our financial obligations in the fiscal year.

There were no unexpected seasonal effects, loss events or accidents. In the current fiscal year, the Company generated positive earnings before profit transfer of EUR 3,105,068.87. Dividend income of EUR 3,541,459.34 were realized from the subsidiary in Spain and Mexico. The annual average number of employees decreased from 168 in the prior year to 162, as a result of which total personnel expenses also decreased to EUR 17,234,775.14. In the current fiscal year, no notable investments were made in the Company's fixed assets. There is a profit and loss transfer agreement and a tax group in place with SMR Automotive Mirror Systems Holding Deutschland GmbH, Stuttgart.

In terms of the order situation and net income for the year, our 2019/20 business development forecast for fiscal year 2020/21 was weaker than expected due to the current COVID-19 situation and a delayed SOP. We recorded successful new acquisitions toward the end of the fiscal year.

#### **4. Opportunities and risk report**

Risk management is performed by all executives, who are obliged to comply with the Code of Conduct of the Motherson Group.

Opportunities and risks within the Company are assessed in close collaboration between management, the department managers and Finance. Business processes have been defined, the compliance of which is monitored by management. When relevant, provisions are recognized on the basis of prudent business judgment. Information on the type and amount of provisions is provided in the notes to the financial statements.

There is a risk of exchange rate fluctuations with regard to USD. This risk is low for SMR Automotive Mirrors Stuttgart GmbH because more than 90% of the payment volume is denominated in EUR. There are no discernible risks to the Company's ability to continue as a going concern.

The Company's main opportunities are based on the development of the group companies for which shared services as well as engineering and advisory services are rendered.

## **5. Forecast**

### **Forecast regarding the economy and automotive market**

According to the OECD forecasts published in March 2021, global GDP growth is projected to be 5.6% in the current year. The increasing vaccinations in numerous regions are enabling further easing of measures to contain the pandemic, due to which the service sector can generate growth impetus again. However, this is heavily dependent on the pace of the vaccination deployment and the quantity of available vaccines. As a result, the growth rates of individual regions may vary greatly. The OECD forecasts GDP growth of 3.9% for the eurozone and thus a much slower rebound compared to the US. GDP growth of 6.5% is forecast for the US due to the fast pace of vaccinations and additional fiscal stimulus of the new Biden government. China's economy, which already returned to its pre-pandemic level in the fourth quarter of 2020, is projected to grow by 7.8% in the current year according to OECD forecasts. For the Indian economy, the OECD predicts growth of 12.6% in 2021/22. The OECD projects comparatively lower GDP growth for Mexico (4.5%), Russia (2.7%) and Brazil (3.7%) this year, although the decreases in the Russian and Brazilian economies were only moderate in 2020.

How will the recovery of the global economy affect demand for passenger cars? The VDA ["Verband der Automobilindustrie": German Association of the Automotive Industry] forecasts year-on-year growth of 9% for the global passenger car market in 2021. Although this represents considerable growth, the global market remains significantly below its pre-pandemic level. With a few exceptions (e.g., China), the hotspot markets in the automotive industry will only reach their pre-crisis level at a slow pace according to the VDA's forecasts.

For the Chinese passenger car market, the VDA forecasts an increase of 8% for 2021 and therefore a level above the volume seen before the coronavirus crisis. For light vehicle sales in the US, the VDA expects demand to increase by 9%. The VDA also sees a recovery on the European market, for 2021 it forecasts a 12% increase in the number of new registrations.

Forecast SMR Automotive Mirrors Stuttgart GmbH:

In fiscal year 2020/21, SMR Automotive Mirrors Stuttgart GmbH was only able to continue the successful trend to a limited extent due to the COVID-19 situation. The following successful acquisitions were recorded in the current fiscal year:

Audi:	Audi A4 (B10), Audi E6, Audi A6
BMW:	BMW Motorcycles, BMW F7X
Stellantis:	Ford CX7X0, Maserati GT/Convertible
Hyundai:	Hyundai Kona SXEe (Europe)

We expect revenue of around EUR 45m per annum in fiscal years 2021/22 and 2022/23. We anticipate a full, but nevertheless stagnating portfolio of orders in the next two fiscal years. Management expects earnings to remain level in the forecast period.

The prior-year forecast on economic development in fiscal year 2020/21 was confirmed by the operating business of SMR Automotive Mirrors Stuttgart GmbH.

Stuttgart, 11 June 2021

Laksh Vaaman Sehgal  
(General manager)

Andreas Heuser  
(General manager)



*Translation from the German language*

## Engagement Terms, Liability and Conditions of Use

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

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

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

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

It is the sole responsibility of anyone taking note of the summarized result of our work contained in this audit opinion to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

# General Engagement Terms

for  
**Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften**  
[German Public Auditors and Public Audit Firms]  
as of January 1, 2017

## 1. Scope of application

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

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. 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 requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

## 5. Reporting and oral information

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

## 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

## 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: The German term "Textform" means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

## 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided 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 damages 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 ProdHaftG. 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, then upon the request of the German Public Auditor he must give notification of the revocation.

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

## 11. Supplementary provisions for assistance in tax matters

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

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

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

- 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) Insofar 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*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

## 12. Electronic communication

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

## 13. Remuneration

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

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

## 14. Dispute Settlement

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

## 15. Applicable law

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