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

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

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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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 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 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 Samvardhana Motherson Innovative Autosystems B.V. & Co. KG 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 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 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, 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 addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.

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

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

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

- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Freiburg i. Br., 23 June 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Schmidt | Landerer |
| Wirtschaftsprüfer | Wirtschaftsprüferin |
| [German Public Auditor] | [German Public Auditor] |

## Samvardhana Motherson Innovative Autosystems B.V. & Co. KG, Bruchköbel
## Balance sheet as of 31 March 2021

| Assets | EUR | EUR | EUR | 31 Mar 2020 EUR k |
|---|---|---|---|---|
| **A. Fixed assets** | | | | |
| **I. Intangible assets** | | | | |
| 1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets | 425,039.85 | | | 542 |
| 2. Prepayments | 9,632,508.32 | | | 4,282 |
| | | 10,057,548.17 | | 4,824 |
| **II. Property, plant and equipment** | | | | |
| 1. Plant and machinery | 9,594,094.27 | | | 10,625 |
| 2 Other equipment, furniture and fixtures | 3,348,033.01 | | | 4,725 |
| 3. Prepayments and assets under construction | 1,384,680.74 | | | 845 |
| | | 14,326,808.02 | | 16,195 |
| | | | 24,384,356.19 | 21,019 |
| **B. Current assets** | | | | |
| **I. Inventories** | | | | |
| 1. Raw materials, consumables and supplies | 7,533,978.58 | | | 7,319 |
| 2. Work in process | 19,386,342.47 | | | 22,516 |
| 3. Finished goods | 2,844,369.50 | | | 3,481 |
| 4. Prepayments received | -1,722,745.20 | | | -270 |
| | | 28,041,945.35 | | 33,046 |
| **II. Receivables and other assets** | | | | |
| 1. Trade receivables | 21,949,159.38 | | | 17,312 |
| 2. Receivables from affiliates | 6,953,437.84 | | | 6,383 |
| 3. Other assets | 3,958,123.05 | | | 2,233 |
| | | 32,860,720.27 | | 25,928 |
| **III. Cash on hand, bank balances and checks** | | 5,471,939.06 | | 9,667 |
| | | | 66,374,604.68 | 68,641 |
| **C. Prepaid expenses** | | | 646,624.90 | 623 |
| | | | 91,405,585.77 | 90,283 |

| Equity and liabilities | EUR | EUR | 31 Mar 2020 EUR k |
|---|---|---|---|
| **A. Equity** | | | |
| **Share in capital** | | | |
| 1. Capital shares of the general partner | 0.00 | | 0 |
| 2. Capital shares of the limited partner | | | |
| Fixed capital | 500.00 | | 1 |
| Variable capital | 10,490,865.30 | | 28,704 |
| | | 10,491,365.30 | 28,705 |
| **B. Provisions** | | | |
| Other provisions | | 13,019,096.26 | 10,223 |
| **C. Liabilities** | | | |
| 1. Trade payables | 18,498,185.74 | | 18,204 |
| 2. Liabilities to affiliates | 43,862,125.75 | | 28,297 |
| 3. Other liabilities | 5,534,812.72 | | 4,854 |
| | | 67,895,124.21 | 51,355 |
| | | 91,405,585.77 | 90,283 |

## Samvardhana Motherson Innovative Autosystems B.V. & Co. KG, Bruchköbel
## Income statement for the period from
## 1 April 2020 to 31 March 2021

| | EUR | EUR | EUR | 2019/2020<br>EUR k |
|---|---|---|---|---|
| 1. Revenue | | 138,788,381.90 | | 164,134 |
| 2. Decrease in finished goods and work in process | | -3,765,819.46 | | -6,845 |
| 3. Other own work capitalized | | 1,538,734.36 | | 202 |
| 4. Other operating income | | 2,067,868.64 | | 3,511 |
| | | | 138,629,165.44 | 161,002 |
| 5. Cost of materials | | | | |
| a) Cost of raw materials, consumables and supplies and of purchased merchandise | 50,775,076.52 | | | 56,546 |
| b) Cost of purchased services | 16,168,049.67 | | | 19,802 |
| | | 66,943,126.19 | | 76,348 |
| 6. Personnel expenses | | | | |
| a) Wages and salaries | 46,818,811.59 | | | 53,315 |
| b) Social security, pension and other benefit costs | 11,205,967.05 | | | 13,043 |
| | | 58,024,778.64 | | 66,358 |
| 7. Amortization of intangible assets and depreciation of property, plant and equipment | | 4,987,800.27 | | 5,497 |
| 8. Other operating expenses | | 25,682,472.56 | | 19,641 |
| | | | 155,638,177.66 | 167,826 |
| | | | -17,009,012.22 | -6,824 |
| 9. Other interest and similar income | | 331,987.09 | | 547 |
| 10. Interest and similar expenses | | 1,371,625.00 | | 1,178 |
| | | | -1,039,637.91 | -631 |
| 11. Income taxes | | | -76.00 | -73 |
| 12. Earnings after taxes | | | -18,048,574.13 | -7,382 |
| 13. Other taxes | | | 165,154.99 | 194 |
| 14. Net loss for the year | | | -18,213,729.12 | -7,576 |
| 15. Charged to variable capital of limited partner | | | 18,213,729.12 | 7,576 |
| 16. Net income/loss after appropriation | | | 0.00 | 0 |

# Notes to the financial statements of Samvardhana Motherson Innovative Autosystems B.V. & Co. KG, Bruchköbel, for the fiscal year from from 1 April 2020 to 31 March 2021

## General

Samvardhana Motherson Peguform GmbH ("SMP GmbH"), Gelnhausen, as limited partner, holds 100% of the capital in Samvardhana Motherson Innovative Autosystems B.V. & Co. KG ("SMIA") as of 31 March 2021.

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 income statement was prepared using the nature of expense method.

## 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*** are carried at acquisition cost and reduced by amortization using the straight-line method. Impairment losses to write items down to the lower of cost or market are recognized in cases where impairment is expected to be permanent.

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. Impairment losses to write items down to the lower of cost or market are recognized 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.

Depreciation is 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. General and administrative expenses were capitalized in accordance with Sec. 255 (2) Sentence 3 HGB. 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. Advance payments are deducted from inventories on the face of the balance sheet.

***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.

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

**Foreign currency assets and liabilities** were translated using the mean spot rate on the reporting date. If they had residual terms of more than one year, the realization principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

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 charge or benefit are valued using the company-specific tax rate (13.3%) 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

| EUR k | 31 Mar 2020 | 31 Mar 2021 |
|---|---|---|
| Trade receivables | 17,312 | 21,949 |
| Receivables from affiliates | 6,383 | 6,954 |
| Other assets | 2,233 | 3,958 |
| **Total receivables and other assets** | **25,928** | **32,861** |

Of trade receivables, EUR 17,949k relates to amortization receivables for tools (prior year: EUR 13,068k), EUR 15,655k of which is due in more than one year (prior year: EUR 10,277k).

**Receivables from affiliates** contain trade receivables of EUR 3,123k (prior year: EUR 1,019k) and assets of EUR 3,831k (prior year: EUR 5,364k). Receivables of EUR 3,764k (prior year: EUR 5,328k) have a residual term of more than one year.

### Equity

The limited partner’s registered contribution reported as fixed capital amounts to EUR 500 and is fully paid in.

### Other provisions

Other provisions primarily consist of provisions for personnel-related matters of EUR 3,998k (prior year: EUR 4,747k), for restructuring measures of EUR 3,282k (prior year: EUR 0k), for outstanding invoices of EUR 2,005k (prior year: EUR 1,870k), for sales-related matters of EUR 1,755k (prior year: EUR 1,655k) and for warranties of EUR 389k (prior year: EUR 376k).

**Liabilities**

Due in
(prior-year figures in brackets)

| EUR k | Total amount | up to one year | more than one year | more than five years |
|---|---|---|---|---|
| Trade payables | 18,498<br>(18,204) | 18,498<br>(15,910) | 0<br>(2,294) | 0<br>(0) |
| Liabilities to affiliates | 43,862<br>(28,297) | 662<br>(597) | 43,200<br>(27,700) | 0<br>(0) |
| Other liabilities | 5,535<br>(4,854) | 5,535<br>(4,854) | 0<br>(0) | 0<br>(0) |
| **Total liabilities** | **67,895<br>(51,355)** | **24,695<br>(21,361)** | **43,200<br>(29,994)** | **0<br>(0)** |

**Liabilities to affiliates** contains trade payables of EUR 243k (prior year: EUR 285k) and other liabilities of EUR 43,619k (prior year: EUR 28,012k). The liabilities are not secured by collateral.

Of **other liabilities**, an amount of EUR 1,048k (prior year: EUR 349k) relates to taxes and EUR 1,577k (prior year: EUR 1,578k) to liabilities relating to social security.

## Notes to the income statement

**Revenue**

Revenue by division

| EUR k | 1 Apr 2019 – 31 Mar 2020 | 1 Apr 2020 – 31 Mar 2021 |
|---|---:|---:|
| Automotive | 123,205 | 104,281 |
| Engineering | 32,140 | 27,221 |
| Other | 8,799 | 7,286 |
| **Total** | **164,134** | **138,788** |

Revenue by sales regions

| EUR k | 1 Apr 2019 – 31 Mar 2020 | 1 Apr 2020 to 31 Mar 2021 |
|---|---|---|
| Germany | 129,700 | 108,657 |
| Other EU countries | 25,085 | 20,173 |
| Rest of the world | 9,349 | 9,958 |
| **Total** | **164,134** | **138,788** |

**Other operating income**

Out-of-period income results mainly from the reversal of provisions of EUR 774k (prior year: EUR 2,284k), the reimbursement of social security contributions for short-time work by the employment office of EUR 260k (prior year: EUR 0k), the reimbursement of contributions to employer's liability insurance of EUR 199k (prior year: EUR 225k) and the reversal of valuation allowances on receivables of EUR 0k (prior year: EUR 16k). Income of EUR 17k (prior year: EUR 9k) relates to currency translation.

**Personnel expenses**

Personnel expenses contain expenses for old-age pensions of EUR 1,355k (prior year: EUR 1,330k).

**Other operating expenses**

Other operating expenses contain extraordinary expenses for the redundancy plan resolved as part of the restructuring in the amount of EUR 7,592k (prior year: EUR 0k). Expenses of EUR 13k (prior year: EUR 8k) relate to currency translation.

**Financial result**

| EUR k | 1 Apr 2019 to 31 Mar 2020 | 1 April 2020 to 31 Mar 2021 |
|---|---|---|
| Interest and similar income<br>(thereof from affiliates) | 547<br>504 | 332<br>285 |
| Interest and similar expenses<br>(thereof to affiliates) | 1,178<br>1,178 | 1,372<br>1,372 |
| **Total** | **-631** | **-1,040** |

**Interest and similar income** contains the unwinding of the discount on tooling reimbursement of EUR 47k (prior year: EUR 43k).

### Income taxes

In the prior year, income taxes contained a trade tax expense of EUR 73k.

## Other notes

### Other financial obligations

The following obligations are due in the coming fiscal years:

### Rental and lease agreements

| EUR k | 31 Mar 2020 | 31 Mar 2021 |
|---|---|---|
| within one year | 621 | 428 |
| between one and five years | 403 | 187 |
| after five years | 0 | 0 |
| **Total** | **1,024** | **615** |

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, binding purchase agreements totaling EUR 2,164k have been signed for an injection molding machine and the accompanying robotic and application systems.

### 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 reporting date, SMIA had sold receivables of EUR 12,009k (prior year: EUR 7,520k) 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 47.7m 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 2020 to 31 March 2021 breaks down as follows:

| | Total |
|---|---:|
| Production employees | 582.75 |
| Administrative employees | 789.75 |
| **Total** | **1,372.5** |

## 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 general managers of the general partner are:

Mr. Andreas Heuser,
Managing Director and Head of Corporate, Europe & Americas-SMG, Bad-Soden-Salmünster

Ms. Carola Jäger,
Director, Brachttal

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

## Auditor’s fees

The total fees charged by the auditor for the fiscal year includes EUR 159k for audit services and EUR 3k for tax services.

## Group relationships

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 of MSSL are published on the Company’s website www.motherson.com.

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

## Appropriation of profit

In accordance with the regulations of the partnership agreement, the net loss for the year of EUR 18,214k will be charges to the variable (capital account II).

**Subsequent events**

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

Bruchköbel, 18 June 2021

Management

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Samvardhana Motherson Innovative

Autosystems Holding Company B.V.

represented by Andreas Heuser

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Samvardhana Motherson Innovative

Autosystems Holding Company B.V.

represented by Carola Jäger

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

## Exhibit to the notes (statement of changes in fixed assets for the period from 1 April 2020 to 31 March 2021)

| | Acquisition and production cost | | | | | Accumulated amortization, depreciation and impairment | | | | Net book values | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 Apr 2020 | Additions | Disposals | Reclassifications | 31 Mar 2021 | 1 Apr 2020 | Additions | Disposals | 31 Mar 2021 | 31 Mar 2021 | 31 Mar 2020 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| **I. Intangible assets** | | | | | | | | | | | |
| 1. Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets | 4,381,726.07 | 183,088.00 | 0.00 | 0.00 | 4,564,814.07 | 3,839,961.98 | 299,812.24 | 0.00 | 4,139,774.22 | 425,039.85 | 541,764.09 |
| 2. Prepayments | 4,282,048.55 | 5,350,459.77 | 0.00 | 0.00 | 9,632,508.32 | 0.00 | 0.00 | 0.00 | 0.00 | 9,632,508.32 | 4,282,048.55 |
| | 8,663,774.62 | 5,533,547.77 | 0.00 | 0.00 | 14,197,322.39 | 3,839,961.98 | 299,812.24 | 0.00 | 4,139,774.22 | 10,057,548.17 | 4,823,812.64 |
| **II. Property, plant and equipment** | | | | | | | | | | | |
| 1. Plant and machinery | 20,811,735.54 | 1,531,130.75 | 0.00 | 504,809.00 | 22,847,675.29 | 10,186,914.70 | 3,066,666.32 | 0.00 | 13,253,581.02 | 9,594,094.27 | 10,624,820.84 |
| 2. Other equipment, furniture and fixtures | 10,532,117.11 | 202,346.75 | -26,969.82 | 41,587.27 | 10,749,081.31 | 5,806,600.39 | 1,621,321.71 | -26,873.80 | 7,401,048.30 | 3,348,033.01 | 4,725,516.72 |
| 3. Prepayments and assets under construction | 844,866.94 | 1,086,210.07 | 0.00 | -546,396.27 | 1,384,680.74 | 0.00 | 0.00 | 0.00 | 0.00 | 1,384,680.74 | 844,866.94 |
| | 32,188,719.59 | 2,819,687.57 | -26,969.82 | 0.00 | 34,981,437.34 | 15,993,515.09 | 4,687,988.03 | -26,873.80 | 20,654,629.32 | 14,326,808.02 | 16,195,204.50 |
| | 40,852,494.21 | 8,353,235.34 | -26,969.82 | 0.00 | 49,178,759.73 | 19,833,477.07 | 4,987,800.27 | -26,873.80 | 24,794,403.54 | 24,384,356.19 | 21,019,017.14 |

# Management report of Samvardhana Motherson Innovative Autosystems B.V. & Co. KG, Bruchköbel Fiscal year from 1 April 2020 to 31 March 2021

## 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 a 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, trimmings for roof styling and rails, pillar panels, protective and door coverings, door sills and rear spoilers. With regard to vehicle interiors, the Company mainly manufactures decorative trimming parts.

Besides product and process development, series production is preceded by construction, manufacturing and sales of customer-specific tools and equipment (engineering services). SMIA has its own tooling and plant engineering at the Michelau location, in which the injection molds can be maintained and the peripheral plants used for the series production as well as all extrusion tools manufactured internally.

The Company generated most of its revenue as a direct supplier (Tier 1) to German automotive manufacturers. It primarily delivers to their domestic production units. Revenue generated in Germany accounted for 78.3% of total revenue. Other EU countries account for 14.5% of the Company's revenue. The share of non-European countries comes to 7.2%.

### b. Objectives and strategies

SMIA belongs to 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.

SMIA is part of SMG's polymer division, which opens up possibilities for collaboration with other entities that are also involved with processing of plastics. Synergies have already been able to be generated on the procurement side. In engineering, the development competencies and engineering know-how of individual units via innovation forums and joint preliminary development for generating additional customer value and future market success were successfully brought together thereby increasing performance. On the sales side, the first steps have already been taken to create the opportunity, where required, to have parts of the manufacturing of SMIA's new products within business units of the SMG Group and thereby internationalizing value creation within the Group in the interest of greater proximity to the customers and customer satisfaction. In this regard, the focus is currently on Eastern Europe where SMIA is aiming to generate additional revenue and success as part of intragroup cooperation. This goes hand-in-hand with the effort to intensify intragroup trade relationships as the product programs of the individual units of the polymer division, and primary products, can often be procured from within the Group (vertical integration). Finally, there is further potential in the sales organization or in bundling sales activities and jointly using existing sales channels to generate additional mid-term market success for SMIA.

### 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") is a key indicator at 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 (CE) in order to calculate the ROCE, adding fixed assets, net working capital as well as cash on hand, bank balances and checks.

### d. Research and development

SMIA has extensive research and development capacities, and includes, among other things, toolmaking and system engineering, 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 industry is currently in a state of upheaval, which is being dominated by the change in drive technology. Instead of the previously dominant combustion engine, the focus is now on electric motors and hybrid solutions as a transitional solution. Against this background, the interest of automotive manufacturers in keeping vehicle weight as low as possible by using lightweight components remains as high as ever. Since metal is heavier than plastic, solutions in thermoplastics remain attractive to customers, provided that the properties of the material originally used, such as stability, value appeal and scratch resistance, are largely maintained in the substitute. 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. These also include unvarnished, high-gloss and scratch-resistant exterior pillar trims produced by injection molding. In SMIA's strongest product segment in terms of revenue, roof styling and roof frame rails, metal-reinforced plastic profiles are produced by extrusion. Depending on the product design and the customer request, these parts are also painted in the color of the vehicle, or alternatively lacquer foils are also used. Shaping to match the roof contour of the vehicle is carried out using three-dimensional roll bending or, if feasible, as a fully integrated process in the extrusion line. The latter procedure is one of the latest process innovations, which SMIA has implemented and brought into series production.

SMIA employed an average of 112 (prior year: 145) persons in its engineering offices and technical workshops in the fiscal year.

## II. Report on economic position

### a. General conditions

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 dynamic 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%).

Other regions of the world were also partially hard hit by the spread of COVID-19. 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.

## b. Significant factors in fiscal year 2020/21

Fiscal year 2020/21 was impacted by the coronavirus pandemic to an even greater extent than the prior year. The months of April and May 2020 in particular were dominated by plant closures and government subsidized short-time work. Series revenue declined by up to 80%. The first signs of a return to normality were seen at the end of Q1 2020/21. This trend continued in the summer quarter. Despite the ongoing coronavirus crisis, revenue figures were once again achieved between the months of September and November, which were in line with original expectations or even exceeded these in some cases. In the final quarter of 2020/21, increasing supply constraints for semiconductors led to production downtimes and short-term plant closures at almost all of SMIA's customers. These developments had a significant impact on SMIA's business figures in 2020/21.

The prevailing market conditions as well as high structural costs on account of the employment situation led to further pressure to adapt at SMIA in 2020/21. A restructuring was announced at the end of September 2020 and implemented in March 2021 after coming to a corresponding agreement with the employee representatives.  The restructuring thus fully affected income already in fiscal year 2020/2021.

In addition, efforts to increase efficiency in production processes and material flows were also driven forward. Measures were initiated to consolidate and rejuvenate the machine fleet in a sensible manner.

In addition, sales activities were strengthened and the new acquisition of customer orders gained more focus to counter underutilization and production capacity of the company in the medium term.

<u>Human resources</u>

Fiscal year 2020/21 was significantly impacted by the coronavirus crisis. While there was a significant decrease in the number of coronavirus infections in the summer months, from October 2020 onwards there was a substantial rise in the number or cases and people in quarantine. For a time, this also led to tangible restrictions in the production areas. Existing hygiene concepts, behavior rules and the general handling of the pandemic in daily working life had to be revised on several occasions. The issue of mobile workstations gained a newfound importance.

The persistent declining trend on the automotive market continued in this fiscal year and had a negative impact on the Company's business volume. In addition, the impact of the coronavirus crisis was also magnified. The volume of orders fell well short of expectations on account of lower customer orders, which had a negative impact on the volume of work in series manufacturing and on the development of new projects.

By introducing government-subsidized short-time work in both the indirect and direct area, the Company initially attempted to counter the lower capacity utilization and the coronavirus crisis. However, this instrument ultimately proved to not be sufficient over the several months it was used in order to be able to respond to the reduced volume of work on a sustained basis. Consequently, another restructuring was required, which aimed to design the organizational structure and various core processes in a more efficient and competitive manner.

As part of the restructuring project, a total of 185.9 full-time equivalents (FTE) were reduced. Thereof 156 employees were attributable to the agreed redundancy plan, of which 144 decided to join a transfer company as of 1 March 2021 and two further persons as of 1 April 2021, four voluntary redundancy agreements were concluded and 6 were laid-off due to business slowdown. With regard to the transfer company, the program included in the redundancy plan for employees who had already reached the age of 61 was also particularly well received.

At year-end, the number of employees stood at 1,207 FTEs, down 308 employees compared to 1,515 FTEs as of 1 April 2020. The number of trainees and dual-track students stood at 47 as of 31 March 2021 (prior year: 70). In addition, the amount of leased staff was also reduced from 70 FTEs in December 2020 to 13 FTEs at the end of the fiscal year.

The absence due to ill health in connection with continued payment of wages continued to develop positively in this fiscal year. At a rate of 4.4% (prior year: 4.7%), it was even lower than the target of 4.5%.

The number of employee resignations was once again at a relatively low level in the current fiscal year at a ratio of 3.2%.

Purchasing

Integration in the Samvardhana Motherson Group has presented SMIA with further opportunities to reduce costs on the purchasing side in fiscal year 2020/21. The successful negotiations in procuring various injection molding tools should be highlighted in this regard. On account of the capacity utilization of tool making buildings as a result of the coronavirus crisis, it was possible to drive down prices significantly to below the budgeted prices. However, this trend turned around somewhat towards the end of the fiscal year and prices are now rising noticeably. Furthermore, just like in the previous three years, significant cost-saving success was reflected in the income due to changes in suppliers for paints. The implementation was only possible due to close and targeted cooperation between the GSP (Global Strategic Purchasing), SMIA Commodity Purchasing and SMIA paint technology department. Bottlenecks due to the coronavirus crisis and inclement weather in the south of the US led to shortages of various raw materials and increasing procurement prices for plastic granulates. The corresponding price increases had a significant impact on the procurement side. It was not possible to fully compensate for this using price negotiations. It is also worth mentioning the development of the LME listing for aluminum, which has increased by over 50% in the last 12 months. As in the prior year, focus was also placed on optimizing the payment terms, which contributed to a further significant improvement to working capital.

Investments

The Company invested EUR 8.4m (prior year: EUR 4.7m) in the reporting period. Of this EUR 2.8m is attributable to project-specific machines and furniture and fixtures and EUR 5.4m to prepayments for the SAP S4/HANA implementation project.

Engineering

SMIA develops products specifically for individual customers and to a certain extent the required tools and equipment, working closely with their development departments under a co-designing arrangement. In addition to internal development capacities, SMIA also benefits from the product and process know-how available in the Motherson Group. SMIA has a unique selling point within the Motherson Group in respect of product and tool expertise in particular in the area of profile extrusion and the further processing of semi-finished products, and is capable of manufacturing the required tools internally.

IT

The work of the project team to introduce SAP S4/HANA was continued in fiscal year 2020/21 with vigor despite the difficult circumstances due to the coronavirus. However, the 3rd integration test in autumn 2020 still revealed some gaps, which means that a “go live” at the start of 2021 did not seem to be possible. Consequently, SMIA decided to postpone the system change from the old system XPPS from IFOR to SAP S4/HANA by one year and a date has been set for the start of 2022. The implementation of SAP S4/HANA will be accompanied by the introduction of a new job order system, which comes from MIND, Noida, India, which belongs to the Motherson Group. SMIA expects that the introduction of these systems will avoid redundant processes, achieve higher efficiency and improved transparency for the successful management of the Company. Consequently, it is SMIA's stated aim to make the Company quicker and more competitive.

Environment

We are aware that our activity is not free of potential dangers, it uses natural resources and damages the environment. For this reason, we feel obligated to a large extent to the environment and also to sustainability. Compliance with laws and official requirements is of great importance across our entire 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 in accordance with DIN EN ISO 14001. Furthermore, the energy management system has been certified in accordance with EN ISO 50001 and the occupational health and safety system has been certified in accordance with DIN ISO 45001.

## d. Position of the Company and development of its business

Financial performance

Revenue in fiscal year 2020/21 remained EUR 25.2m below the prior-year level and ultimately stood at EUR 138.8m, however this was above the forecast that had been issued in the prior year. The lockdown phase due to the coronavirus at the beginning of the fiscal year, in which only a few, in particular Asian customers were still manufacturing and ordering parts, had a significant influence on revenue development. Revenue from premium brands recovered from the crisis quicker over the course of the year, and brands such as OPEL and FORD once again recorded sales figures that were below expectations. Thus revenue from series production decreased by EUR 20.4m to EUR 111.6m compared to the prior year. Revenue from engineering amounted to EUR 27.2m and was thus EUR 4.9m down on the prior year.

The ratio of cost of materials to total operating performance stood at 49.0% (prior year: 48.5%). 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 with the product mix remaining largely unchanged.

Personnel expenses amounted to EUR 58.0m (prior year: EUR 66.4m). Relative to total operating performance, this accounted for 42.5% (prior year: 42.1%). Although the second restructuring following the restructuring in 2019/20 was already implemented in fiscal year 2020/21, it primarily had a negative impact on the net income of the year due to the restructuring expenses without having any significant saving effects. Average annualized expenses per employee stood at EUR 42.3k (prior year: EUR 43.6k). The average headcount fell by 118 to 1,372.5 employees (prior year: 1,522 employees).

Amortization, depreciation and impairment for the reporting period amounted to EUR 5.0m (prior year: EUR 5.5m), or 3.7% (prior year: 3.5%) of total operating performance.

At EUR 25.7m (prior year: EUR 19.6m), other operating expenses are significantly above the prior-year figure, which is largely due to restructuring costs of EUR 7.6m. Further individual items were maintenance at EUR 6.4m (prior year: EUR 7.4m) and expenses for rents and leases of EUR 3.6m (prior year: EUR 3.8m).

EBIT came to EUR -17.0m (prior year: EUR -6.8m) and was significantly below the forecast made in the prior year on account of the restructuring that was required.

The financial result primarily reflects the interest expense from loans taken out within the Motherson Group as well as the interest income from loans partially granted to the entities of the SMIA Group. The expenses exceeded income by EUR 1.0m (prior year: EUR 0.6m). The financial result thus stood at -0.7% (prior year: -0.4%) of total operating performance.

## Financial position

As of 31 March 2021, there were no liabilities to banks and SMIA's business account was kept in the plus. However, there were financial liabilities to group entities, which increased by EUR 15.6m to EUR 43.9m year on year. SMIA's financial receivables from affiliates amounted to EUR 7.0m as of 31 March 2021, thus increasing by EUR 0.6m compared to the prior year. Receivables amounting to EUR 12.0m (prior year: EUR 7.5m) were sold as of the reporting date on the basis of factoring agreements.

Operating cash flow at the end of the fiscal year amounted to EUR -12.0m (prior year: EUR -4.8m). Cash outflow for investments amounted to EUR 8.4m. Cash flow from financing activities amounted to EUR 16.1m. EUR 17.2m of this amount relates to the change to the intercompany loans. Total cash and cash equivalents decreased by EUR 4.2m 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. SMIA's management regularly pays special attention to the reduction of commitment of capital of current assets.

Assets and liabilities

Total assets amounted to EUR 91.4m (prior year: EUR 90.3m), an increase of EUR 1.1m on the prior year.

As of the reporting date, fixed assets stood at EUR 24.4m and were above the prior-year figure of EUR 21.0m. Thereof EUR 11.0m was attributable to prepayments made in particular in connection with the SAP 4 HANA implementation project.

Current assets recorded a decrease of EUR 2.2m to EUR 66.4m compared to the prior year. Inventories decreased by EUR 5.0m due to a decrease in inventories of tools in engineering. Receivables and other assets increased year-on-year by EUR 6.9m to EUR 32.9m as of the reporting date. In this regard, trade receivables (up EUR 4.6m) increased on account of the increased revenue recognition at the end of the fiscal year and receivables from affiliates (up EUR 0.6m) and other assets (up EUR 1.7m) also increased.

Other provisions amounted to EUR 13.0m as of the end of the fiscal year and were therefore EUR 2.8m above the prior-year figure. This was due in particular to the provision for the costs of the transfer company, which was set up in March, that are associated with the restructuring in the amount of EUR 2.5m. The remaining provision for severance payments from the restructuring amounted to EUR 0.7m as of the reporting date. Total personnel provisions amounted to EUR 4.0m (prior year: EUR 4.7m). Furthermore, there were provisions of EUR 2.0m for outstanding invoices (prior year: EUR 1.9m).

Cash and cash equivalents decreased by EUR 4.2m compared to the prior year to EUR 5.5m (please also refer to the comments regarding the Company's financial position).

With respect to the key performance indicator ROCE, there is once again a negative return on the capital employed due to the negative operating result (EBIT), as forecast in the prior year.

Overall statement regarding the progress of business

SMIA's fiscal year 2020/21 was overshadowed by the coronavirus crisis. The beginning of the fiscal year was dominated by production downtime and government-subsidized short-time work. The Company's own coronavirus crisis team, which was set up, met regularly, developed hygiene concepts and adapted measures to the changing provisions put in place at a political level. After production activities successively resumed in May 2020, management's primary focus was on the health, safety and well-being of employees and maintaining the Company's ability to deliver. Impacted by the coronavirus crisis, revenue remained well below the comparable prior-year figure, in Q1 in particular. In the course of recovery in demand from automotive manufacturers in Q2, the management of SMIA examined further restructuring plans and efficiency-boosting measures, which it then implemented in the final quarter of the fiscal year after reaching an agreement with the employee representatives. In light of this, budgeted revenue of EUR 129m was able to be exceeded by EUR 10m. On account of the restructuring not being taken into account in the budget, EBIT is significantly below the forecast level and consequently below management's expectations. In addition, the implementation of measures to increase operational efficiency are also ongoing.

## Forecast, opportunities and risks

### e. 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 2021/2022. 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.

*Company-specific forecast*

Samvardhana Motherson Innovative Autosystems (SMIA) expects revenue of EUR 140m for fiscal year 2021/22. Planned EBIT should increase significantly to EUR 1.8m on account of the restructuring performed. In this regard, in its planning management assumes that there will be no further lockdowns due to the coronavirus.

No more measures of this kind are planned for fiscal year 2021/22 after the restructuring that took place in 2020/21. The number of temporary employee's will continue to be kept to a minimum. The use of government-subsidized short-time work is not envisaged, however it will be used as a flexible instrument by the Company should it be required, if a further slump in market demand necessitate this.

The rollout of the SAP 4 HANA system will count among the significant objectives and procedural improvement measures in the Company in 2021/22. This was originally scheduled for 2020/21 and was postponed by one year due to the coronavirus crisis and the restructuring that was initiated. As part of the project, operational processes will be optimized, redundancies will be removed and standards will be created, thereby increasing the Company's efficiency considerably.

The structural costs, which were adjusted as a result of the restructuring in 2020/21 and consequently reduced, helped SMIA to reach the break-even point in fiscal year 2021/22. In addition, the success of the process optimizations on the shop floor, which will be a focus area for management in the coming year, were also critical in this regard. Sales work, with the aim of generating revenue growth, also represents a further focus area in the new fiscal year although possible sales success will only have an impact over the medium-term. Consequently, the key performance indicator ROCE will once again show a positive figure, albeit only marginally positive. The planned capital expenditure which leads to an increase in capital employed (CE), mainly relate to the new business already acquired and which will start in the next two years as well as the SAP implementation project in preparation for the “go live”.

Intragroup cash and cash equivalents will be obtained as a result of the EBIT expected for fiscal year 2021/22 and the planned capital expenditure, increasing the indebtedness for a limited duration.

SMIA is currently in a demanding market environment in which it can prevail in the medium term with the measures that have already partially been implemented to overcome the corona crisis and to increase its competitiveness. Especially the integration in the Motherson Group presents new opportunities to make the Company futureproof in fiscal year 2021/22.

## 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. 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.

Due to the rising international presence with own production plants outside Germany, our customers are also increasingly demanding that we set up production capacity in the corresponding markets. The customers prefer ‘local sourcing’ and thus maximization of added value close to the location. There is a risk that the preference for suppliers who are not able to offer local value added will decrease. In this regard SMIA examined the possibility of creating production capacity over the medium-term at individual suitable, already existing locations of Motherson group companies and is able to offer added value from these if there is specific demand.

It is also very difficult for new suppliers to enter 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 risk likelihood of strategic risks as low to moderate. Any effects of such risks on the projected business trend can also be considered as 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 (after the merger with Fiat Chrysler Automobiles, today known as Stellantis), 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 customer relationships 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 original equipment manufacturers (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, it has still proved to be a robust and forward-looking strategy.

The coronavirus crisis has now dominated the market environment for the second year in a row and is leading to uncertainty, a lack of an ability to plan and changes to behavior by governments, consumers and businesses depending on how the situation with coronavirus manifests itself with waves of varying severity. In the current situation, this risk continues to be latent, even if the statistics such as a decline in the number of infections and a rise in the number of people vaccinated point towards a return to normality. Market demand for automobiles of course does not remain unaffected by this. In light of this situation, measures to secure the existence of the company and liquidity are as important as maintaining the health of the workforce. In the view of SMIA's management, the risk of a fresh wave of coronavirus infections with a corresponding drop in sales figures on the automotive market continues to represent a high risk for the coming fiscal year 2021/22, even if the current development points towards the situation relaxing somewhat.

In the current market environment the aforementioned risks to the projected business are therefore to be classified as moderate on the whole 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 and the capacities available at the granulate manufacturers. 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, PP/ICIS, etc., and to discuss any trends and developments both with core suppliers and management.

By global pooling of the purchasing authority, cooperative work with the GSP and other firms of the polymer division, the purchasing situation has improved further and the negotiating position of SMIA with respect to global suppliers was strengthened. 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 in particular, which are pooled via the GSP, play a key role in this.

However, the global supply situation was extremely strained throughout the entire fiscal year on account of the COVID-19 pandemic. In addition, there were also winter storms in the south of the US, which crippled production plants for primary materials for polymers and led to a number of force majeure incidents at our plastic granulate manufacturers. Finally, in March the Suez Canal was also blocked for a week by the container ship Ever Given. SMIA was also impacted by the fallout from these incidents, however they were able to fully compensate for these on account of the countermeasures that have been introduced.

On account of the COVID-19 pandemic and fluctuations in the global economy, further great upheavals in respect of the development of the price of commodities continue to be extremely likely. Commodity prices began to rise steadily from the second half of 2020 in particular. An end to this trend is currently not foreseeable and is thus set to still persist over large parts of FY 21/22.

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

*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*

With regard to personnel risks, the coronavirus crisis continues to be at the forefront of the risk factors for the Company and for the entire automotive sector in the coming months, as it is still not possible to make a sufficiently reliable assessment of the further development of the pandemic.

By contrast, the acceleration of the testing and vaccination campaigns continues to be a source for optimism.
In the new fiscal year, employee awareness of dealing with the coronavirus crisis should be further heightened and safeguards should be further improved and kept at a high level.

A particular challenge in fiscal year 2021/22 will be the further implementation of the restructuring of the Company initiated with the reduction of the workforce in the past. Changes will take place in the organizational structure in almost all business units. In this regard, it will be important to win the trust of employees in order to be able to successfully implement the forthcoming challenges.
As part of the strategic realignment of the Company, generating synergies through intensive cooperation with other subsidiaries within the Group is also currently being discussed.

After two restructuring measures in a relatively short period of time – 2019/20 and 2020/21 – recruiting regional managers and experienced personnel will initially be more difficult, however the pan-regional recruitment of highly qualified personnel will also remain challenging.

In this regard, a future challenge for SMIA will also be to remain attractive as training provider for young people. Declining birth rates have been leading to an increasingly competitive situation on the trainee market for some years now. In the regional environment, the recent workforce reduction could lead to SMIA losing attractiveness and popularity as a company in which to undertake training. In addition, the regional training fairs that are currently not taking place due to the coronavirus are also having a negative effect on the recruitment of trainees.

Nevertheless, efforts are still being made to stay established as one of the largest training providers in the region and to strengthen the cooperation with universities and higher education institutes. Currently, SMIA offers 11 job profiles in the dual-track training; mechanical engineering and industrial engineering are offered as part of dual-track education programs.

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

In the future, SMIA will also place a special emphasis on providing training and qualifications to its workforce in order to meet future professional requirements. An appropriate budget has been planned for this in the next fiscal year.

We currently assess the probability of occurrence of the abovementioned personnel risks with possible implications on achieving our projected revenue and earnings targets as moderate.

*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 (JIT) and just-in-sequence (JIS), 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.

In addition, SMIA is also in the final phase of implementing a new ERP system: SAP S4/HANA. The aim of the changeover is to modernize and homogenize the IT landscape while simultaneously reducing interfaces to various applications and systems. The replacement of existing old systems with a modern, highly integrated solution will lead to greater transparency, efficiency and security. The new system will now “go live” in fiscal year 2021/22.

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 medium. 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. 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.

## f. 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.

SMIA also has access to a global network of production facilities that can be used as a launchpad for its own global expansion. In this regard, SMIA is looking at Eastern Europe and possible options in China in particular.

Vertical integration within the Group offers further potential. Previously implemented with a French group entity of the Motherson Group, there are further specific efforts being made to further expand the intragroup role as a Tier 2 supplier for SMIA with another German entity of the Motherson Group. Additional revenue can thus be generated with value added remaining within the Group and this no longer needs to be outsourced to third parties.

Development partnerships within the Group are also a possibility, allowing trending and future topics to be developed jointly for customers and offered as an overall package.
There are various synergies on the costs side that do not only result in SMIA being in a better negotiating position for the procurement of various materials, raw materials and capital goods, but is also able to offer the possibility of shifting the value added to other group companies, which in turn can lead to more cost saving potential.

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, the current measure programs still offer numerous opportunities.

**g. Overall risk and opportunity profile**

Following a thorough assessment, the risks described above are generally 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. The coronavirus crisis continues to harbor the greatest risk potential in this regard. Nevertheless, the measures implemented are appropriate and sufficient to secure the continued existence of the Company.

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 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 2021

Management

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

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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.

[Translator's notes are in square brackets]

# 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.