PKC SEGU Systemelektrik GmbH
Barchfeld-Immelborn

Audit report
Annual financial statements and management report
31.12.2018

Ernst & Young GmbH
Auditing company

Electronic copy

TABLE OF CONTENTS

A. Audit assignment

The management board of

PKC SEGU Systemelektrik GmbH
Barchfeld-Immelborn

(Hereinafter referred to in short as: the “company” or “PKC”) has engaged us on the basis of the resolution of the general meeting of shareholders held on 23 November 2018 to audit the annual financial statements as at 31 December 2018, including the company’s underlying accounting practices and the management report.

Our General Terms and Conditions of Assignment for Auditors and Auditing Companies as at 1 January 2017, which are enclosed as an annex, apply to this assignment, including vis-a-vis third parties. In addition, we refer to the liability provisions contained therein in Section 9 and to the exclusion of liability vis-a-vis third parties, as well as to the further provisions of the attached Annex “Terms and Conditions of Assignment, Liability and Reservation of Use”.

The present audit report is addressed to the company.

B. Reproduction of the auditors' report

We have issued the following opinion on the annual financial statements and the management report:

“Independent auditor's report

To PKC SEGU Systemelektrik GmbH

Audit opinions

We have audited the annual financial statements of PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn, comprising the balance sheet as at 31 December 2018 and the profit and loss statement for the financial year from 1 January to 31 December 2018 and the notes to the financial statements, including the presentation of the accounting policies. In addition, we have audited the management report of PKC SEGU Systemelektrik GmbH for the financial year from 1 January to 31 December 2018.

In our opinion, based on the findings of our audit

- the accompanying annual financial statements comply in all material respects with German commercial law and offer a true and fair view of the net assets and financial position of the company as at 31 December 2018 as well as its results of operations for the financial year from 1 January to 31 December 2018 in accordance with the German principles of proper accounting and,

- on balance, the attached management report provides a suitable understanding of the company's position. In all material respects, this management report is consistent with the annual financial statements, it complies with German legal requirements and suitably presents the opportunities and risks of future development.

In accordance with Section 322 (3) Sentence 1 German Commercial Code HGB we declare that our audit has not led to any objections to the correctness of the annual financial statements and the management report.

Basis for the audit opinions

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 German Commercial Code (HGB) and the German generally accepted standards for the auditing of financial statements promulgated by the German Institute of Auditors (IDW). Our responsibility as per these rules and principles is described in more detail in the section entitled "Responsibility of the auditor for the audit of the annual financial statements and the management report" in our audit opinion. We are independent of the company in accordance with German commercial law and the applicable professional standards, and have fulfilled our other German professional duties in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements and the management report.

Significant uncertainties relating
to the continuation of the company

We refer to the information in Section "C.1. Risks to the continued existence of the company as a going concern" of the management report and Section "VIII. Risks threatening the existence of the company" in the Notes, in which the legal representatives describe that the company is in a tight liquidity situation due to the negative results and negative cash flows from operating activities spanning previous financial years. Liquidity is provided to the company through a cash pool agreement with PKC Group PLC and a credit facility from the parent company PKC Wiring Systems Oy. In addition, on 12 April 2019, the parent company issued a general liquidity commitment in favour of PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn, and a general equity guarantee (letter of comfort) up to a maximum amount of EUR 5,000,000.00 for a period ending on 31 August 2021. The maintenance of solvency and, thus, the continuation of the company's business activities is dependent on the maintenance of this cash pool agreement with PKC Group PLC and the financial support of the parent company, which has granted the above-mentioned credit facilities and issued a letter of comfort, until sustainable positive operating cash flows are generated. This refers to the existence of a material uncertainty, which may cast significant doubt on the company's ability to continue as a going concern and which constitutes a risk threatening the company's existence as a going concern within the meaning of Section 322 (2) Sentence 3 German Commercial Code (HGB).

Our audit opinions have not been modified with regard to this matter.

Management's responsibility for the annual financial statements and the management report

The legal representatives are responsible for the preparation of the annual financial statements, which comply with German commercial law in all material respects, and for ensuring that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with the German principles of proper accounting. Furthermore, the legal representatives are responsible for the internal controls which they have determined, in accordance with the German principles of proper accounting, to be 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 legal representatives are responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing, where relevant, information about the company's ability to continue as a going concern. Furthermore, they are responsible for preparing the financial statements in accordance with the going concern principle, except where this conflicts with actual or legal requirements.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks in its future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal regulations and to provide both sufficient and suitable evidence for the statements made in the management report.

Responsibility of the auditor for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance as to whether the annual financial statements, as a whole, are free from material misstatement, whether due to fraud or error, whether the management report, as a whole, provides a suitable understanding of the company's position and suitably presents the opportunities and risks in its future development in all material respects in accordance with the annual financial statements and the findings of our audit, and to express an audit opinion which includes our audit opinion on the annual financial statements and the management report.

A reasonable assurance is a high degree of certainty (but no guarantee) that an audit conducted in accordance with section 317 German Commercial Code (HGB) and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Auditors (IDW) will always reveal material misstatement. Misstatements can result from violations or inaccuracies and are considered material if it could reasonably be expected that, either individually or collectively, they could influence the economic decisions of addressees made on the basis of these annual financial statements and the management report.

During the audit, we exercised due discretion and maintained a fundamentally critical position. Furthermore,

- we identify and assess the risks of material misstatement in the annual financial statements and the management report, whether due to fraud or error, we plan and perform the audit procedures in response to these risks and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinion. The risk that material misstatements will not be detected is greater in instances of non-compliance than for inaccuracies, given that non-compliance may involve fraudulent interactions, falsification, intentional omissions, misrepresentations, or the disabling of internal controls.

- we obtain an understanding of the internal control system relevant to the audit of the annual financial statements and the procedures and measures relevant to the audit of the management report, in order to plan audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- we evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the company’s legal representatives, as well as the reasonableness of the related disclosures.

- We conclude on the appropriateness of the accounting policies adopted by the company's legal representatives and, based on the audit evidence obtained, whether there is any material uncertainty concerning events or conditions that may cast significant doubt upon the company's ability to continue as a going concern. If we reach the conclusion that a material uncertainty exists, we are obligated to make reference in our audit opinion to the related disclosures in the annual financial statements and the management report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may result in the company being unable to continue its operations.

- we assess 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 such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with the German principles of proper accounting.

- we assess the consistency of the management report with the annual financial statements, its legal compliance and the picture of the company's situation conveyed by it.

- we perform audit procedures on the future-oriented statements contained in the management report presented by the legal representatives. On the basis of both sufficient and suitable audit evidence, we verify in particular the significant assumptions underpinning the forward-looking statements made by the company’s legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions We do not express an independent audit opinion on the forward-looking statements or the assumptions on which they are based. There is a significant unavoidable risk that future events could differ materially from such forward-looking statements.

Among other things, we discuss – with those individuals responsible for monitoring – the planned scope and timing of the audit as well as significant audit findings, including any deficiencies in the internal control system, which we identify during our audit.

C. Basic findings

Statement of opinion on the assessment of the situation by the legal representatives

In our opinion, and based on the findings of our audit, we believe that the presentation and assessment of the company's situation and anticipated development by the legal representatives in the annual financial statements and the management report is correct.

Business development and situation of the company

The following aspects are particularly noteworthy:

- Revenues in the 2018 financial year amounted to kEUR 25,445, an increase of around 47% compared with the previous year (kEUR 17,287). This increase is mainly due to the increase in intra-group product sales with constant external sales.

- The cost of materials ratio (cost of materials in relation to total operating performance) deteriorated by 12.6 percentage points year-on-year to 62.8% and is attributable to an amended product portfolio.

- The net loss for the financial year 2018 amounts to kEUR 1,266 and has thus been further reduced by kEUR 925 compared to the previous year. This was due in particular to the increase in sales, without any significant increase in fixed costs.

- As in previous years, the company's financial resources in 2018 were provided through internal measures within the group. The company received the liquidity it needed by participating in the group-wide cash pooling system. There were no additional shareholder loans or a capital increase.

- Compared to the previous year, the balance sheet total increased by kEUR 7,272 to kEUR 18,463. On the assets side, this is mainly due to the increase in current assets (kEUR 4,641). On the liabilities side, the increase in the balance sheet total is mainly due to the higher liabilities vis-a-vis affiliates (kEUR 5,984).

- At the balance sheet date, the equity capital amounted to kEUR -3,392 (previous year: kEUR -2,126), the equity ratio was -18.4 % (previous year -19.0 %). The reduction in equity is due to the annual net loss (kEUR 1,266).

Expected development of the company

The presentation of the company's expected development in the management report is based on assumptions for which there is scope for assessment. We consider this presentation to be plausible. In this context, the following key statements should be noted in particular:

- For the 2019 financial year, the company expects total revenues of mEUR 33 and positive earnings before taxes (EBT) of kEUR 709. In 2019, sales revenues and EBT are so far below the original budget, but better than in the previous financial year overall.

- In line with the current order situation, the company also expects sales revenues of mEUR 33 and a positive EBT of kEUR 1,018 for the 2020 financial year. From the management's current perspective, the product portfolio will not change further in the coming year.

- In the 2018 financial year, it was decided to further expand plastic parts production on site. Mass production will start in 2019 and will amount to around mEUR 5 for the full year.

- In the electronics and plastic parts segment, further projects are currently in the acquisition and planning phase which, according to management estimates, should enable the company to generate sales of at least mEUR 25 to mEUR 30 in the medium term.

- In the opinion of management, the integration of PKC Group PLC into Samvardhana Motherson Group will result in synergy effects in the areas of HR, Purchasing, Sales, Research and Development and Finance, which will also benefit the company.

Facts threatening the existence of the company

In compliance with our reporting obligation within the meaning of Section 321 (1) Sentence 3 German Commercial Code (HGB) concerning facts that endanger the existence of the company, we draw particular attention to the information provided by management in Section “C.1. Risks to the continued existence of the company as a going concern” of the management report and Section “VIII. Risks threatening the existence of the company” in the Notes, in which the legal representatives describe that the company is in a tight liquidity situation due to the negative results and negative cash flows from operating activities spanning previous financial years. Liquidity is provided to the company through a cash pool agreement with PKC Group PLC and a credit facility from the parent company PKC Wiring Systems Oy. In addition, on 12 April 2019, the parent company issued a general liquidity commitment in favour of PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn, and a general equity guarantee (letter of comfort) up to a maximum amount of EUR 5,000,000.00 for a period ending on 31 August 2021. The maintenance of solvency and, thus, the continuation of the company's business activities is dependent on the maintenance of this cash pool agreement with PKC Group PLC and the financial support of the parent company, which has granted the above-mentioned credit facilities and issued a letter of comfort, until sustainable positive operating cash flows are generated.

Furthermore, the company reports a “deficit not covered by equity” in the amount of kEUR 3,392 as at the balance sheet date and is, therefore, in an over-indebted state as per its balance sheet. In the opinion of management, the company is nevertheless not over-indebted within the meaning of Section 19 German Insolvency Act (InsO) because the continuation of the company is considered to be highly likely under the given circumstances.

D. Performance of the audit

I. Subject of the audit

In accordance with Section 317 German Commercial Code (HGB), we have audited the accounting practices, the annual financial statements – consisting of the balance sheet, the profit and loss statement and the notes – and the management report for compliance with the relevant statutory provisions.

The decisive accounting principles for our audit of the annual financial statements were the accounting regulations of Sections 242 to 256a and Sections 264 to 288 German Commercial Code (HGB) as well as the special regulations of the German Limited Liability Companies Act (GmbHG). There are no additional accounting provisions from the articles of association. The audit criteria for the management report were the provisions of Section 289 German Commercial Code (HGB).

II. Type and scope of the audit

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 German Commercial Code (HGB) and the German generally accepted standards for the auditing of financial statements promulgated by the German Institute of Auditors (IDW).

The audit does not extend to whether the continued existence of the audited company or the effectiveness and efficiency of the management can be assured.

The basis of our risk and process-oriented audit procedure is the development of an audit strategy. This is based on an assessment of the economic and legal environment of the company, its objectives, strategies and business risks, which we evaluate using critical success factors. We supplement the audit of the accounting-related internal control system and its effectiveness with process and data analyses, which we carry out with the aim of determining their influence on relevant items in the annual financial statements, thus enabling us to assess the risk of error and our audit risk.

We have taken into account the findings of our data analyses, the audit of the processes and the accounting-related internal control system in the selection of the analytical audit procedures (plausibility assessments) and the individual sample audits with regard to points of inventory evidence, recognition, disclosure and measurement in the annual financial statements. In the individual company audit programme, we have defined the focal points of our audit, the nature and scope of the audit procedures, the timing of the audit and the deployment of employees. In doing so, we have observed the principles of materiality and risk orientation and have, therefore, based our audit opinion primarily on random samples.

Our audit programme has the following main focuses:

- Analysis of the process of preparing the annual financial statements

- Within the scope of our audit, we have paid particular attention to whether the legal representatives have adequately applied the accounting principle of the continuation of the company's business activities. In our assessment of the ability of the company to continue its operations, we have given due consideration to the increased cash pool agreement with PKC Group PLC, the funds provided by the parent company PKC Wiring Systems Oy and the letter of comfort issued by the parent company for a maximum amount of EUR 5,000,000.00 for the period ending on 31 August 2021.

- Existence, completeness and valuation of inventories

- Existence and valuation of trade receivables

- Time of revenue recognition

- Completeness and valuation of provisions

- Completeness of trade payables

- Accounting for factoring contracts

- Auditing of the information in the management report, in particular prognostic information

In addition, we have performed the following standard audit procedures, including:

- Taking part in the physical counting of inventories on an observational basis.

- We were able to satisfactorily determine that the trade receivable were correctly accounted for by obtaining balance confirmations at our due discretion on a random basis.

- We were able to satisfactorily determine that the trade payables were correctly accounted for by obtaining balance confirmations at our due discretion on a random basis.

- We have obtained bank confirmations from banks. We have requested and received confirmations from lawyers regarding pending legal disputes.

- Reconciliation of receivables and liabilities of affiliated companies.

- Verification of the completeness and correctness of the information in the Notes.

- In addition, we have examined the plausibility of changes in the items of the annual financial statements by means of analytical procedures.

- The work of an actuary employed by the company was used as evidence in our audit of the accounting treatment of provisions for pensions and similar obligations. Where necessary, and taking into account the significance of the expert's activities for the objectives of our audit, we assessed the expert's competence, skills and objectivity, gained an understanding of the expert's activities and assessed the suitability of the expert's activities as audit evidence for the relevant statement.

All clarifications and evidence requested by us have been provided. The legal representatives have confirmed to us in writing the completeness of these explanations and evidence as well as the accounting, the annual financial statements and the management report.

III. Independence

In our audit, we observed the applicable regulations governing the principle of independence.

E. Notes to the financial statements

I. Regularity of the accounts

In our opinion, and based on the findings of our audit, the accounting records comply with the legal requirements. The information taken from other audited documents has led to a proper presentation in the accounting practices, the annual financial statements and the management report.

In summary, following the results of our audit, which focused on

- the regularity of the elements of the financial statements and their derivation from the accounting records,
- the regularity of the information provided in the Notes,
- compliance with recognition, disclosure and measurement regulations,
- compliance with all legal regulations applicable to accounting, including the principles of proper accounting and all size-dependent, legal form-based or industry-specific regulations, and
- the observance of provisions from the articles of association, insofar as these relate to the content of the financial statements,

we have issued the audit opinion reproduced in Section B.

The legal representatives have, in accordance with Section 285 No. 9a and b German Commercial Code (HGB) and with reference to Section 286 (4) German Commercial Code (HGB), justifiably limited the reporting on the remuneration of the company's executive bodies in the notes to the financial statements as per our dutiful assessment of the knowledge gained during the audit.

II. General statement of the annual financial statements

1.1. Valuation bases

We provide the following information on the accounting policies applied and the factors relevant to the measurement of assets and liabilities, including any effects of changes in these policies:

Inventories

Raw materials and supplies are valued at acquisition cost on the basis of the moving average method. Any necessary write-downs to the lower fair value have been made. Work in progress and finished goods are valued at production cost. In addition to direct material and production costs, production costs also include the production-related depreciation of fixed assets. Appropriate portions of material and production overheads were not taken into account, contrary to the requirements of Section 255 (2) German Commercial Code (HGB), taking into account the principle of materiality. As a result of the loss-free valuation of work in progress and finished goods, however, this does not have any effect on the level of inventories or on the net annual result, as higher production costs in this financial year would lead to higher write-downs.

All inventory risks linked to inventory assets resulting from the storage period or reduced usability were taken into account by means of appropriate value reductions.

Development of inventories:

	2018 kEUR	2017 kEUR
Raw materials and supplies, gross	5,356	2,288
Value adjustment: raw materials and supplies	*-273*	*-330*
Value adjustment rate	*5%*	*14%*
Work in progress, gross	364	330
Value adjustment: work in progress	*-44*	*-9*
Value adjustment rate	*12%*	*3%*
Finished goods, gross	1,099	521
Value adjustment: finished goods	*-36*	*-32*
Value adjustment rate	*3%*	*6%*
Total inventories	6,466	2,768

Receivables and other assets

Receivables and other assets are carried at their nominal value. All risk-prone items are accounted for by the formation of appropriate and individual value adjustments; the general credit risk is taken into account by means of lump-sum deductions.

	2018 kEUR	2017 kEUR
Trade receivables		
Receivables, gross	2,671	1,480
Real factoring	-841	0
Measurement basis for value adjustments	1,830	1,480
Individual value adjustment	*0*	*0*
Value adjustment rate	*0.0%*	*0.0%*
General value adjustment	*-28*	*-16*
Value adjustment rate	*1.5%*	*1%*
	1,802	1,464

The receivables from individual customers specified in the factoring agreement dated 19 September 2018 are purchased by the factor up to a certain financing limit, assuming the del credere risk.

Provisions for pensions

The provisions for pensions and similar obligations are calculated using the actuarial method of the projected unit credit method and the “2018 G Mortality Tables” of Prof. Dr. Klaus Heubeck. The first-time application of the new mortality tables resulted in a difference of kEUR 35. The average market interest rate of 3.21 % for a remaining term of 15 years was used for discounting. Expected pension increases were taken into account at 1.5 %. Salary increases and fluctuation were not taken into account, due to the fact that all those entitled to a pension have retired or left the company. The discount rate corresponds to the average market interest rate of the past ten years. The difference in accordance with Section 253 (6) German Commercial Code (HGB) amounts to kEUR 271.

In addition, we refer to the explanations in the Notes regarding the further valuation principles.

2. Factual measures

PKC Group Ltd, Helsinki/Finland entered into a factoring agreement with BNP Paribas S.A., Dublin/Ireland as at 27 March 2018. With effect from 19 September 2018, PKC SEGU Systemelektrik GmbH was added to the existing agreement
(silent inhouse factoring); we refer to our comments in Annex 5 Legal relationships/material contracts. Under this agreement, receivables with a nominal value of kEUR 841 were sold as at 31 December 2018.

3. Summarised assessment

Following our audit, which we conducted in accordance with professional standards, we have come to the conclusion in our audit opinion that the annual financial statements as a whole offer a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting.

EY

F. Schlussbemerkung

Den vorstehenden Bericht über unsere Prüfung des Jahresabschlusses und des Lageberichts für das Geschäftsjahr vom 1. Januar bis zum 31. Dezember 2018 der PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn, erstatten wir in Übereinstimmung mit § 321 HGB unter Beachtung der Grundsätze ordnungsmäßiger Erstellung von Prüfungsberichten des Instituts der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf (IDW PS 450 n.F.).

Freiburg i. Br., 31. Januar 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Wetzel
Wirtschaftsprüfer

Schmidt
Wirtschaftsprüfer

ERNST & YOUNG GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT
WIRTSCHAFTS-PRÜFUNGS-GESELLSCHAFT
SIEGEL
STUTTGART
* ZWEIGNIEDERLASSUNG FREIBURG *

Annex 1

PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn
Balance sheet as at 31 December 2018

Assets				31.12.2017
	EUR	EUR	EUR	kEUR
A. Non-current assets				
I. Intangible assets				
1. Concessions, industrial property rights and similar rights and assets acquired against payment as well as licenses to such rights and assets	28,536.50			32
2. Goodwill	0.50			67
		28,537.00		99
II. Property, plant and equipment				
1. Land, rights equivalent to real property and buildings including buildings on third party land	1,563,380.99			1,631
2. Technical equipment and machinery	1,981,407.50			928
3. Other equipment, operating and office equipment	470,889.50			234
4. Payments on account and assets under construction	454,340.90			292
		4,470,018.89		3,085
			4, 498,555.89	3,184
I. Current assets				
I. Inventories				
1. Raw materials and supplies	5,082,961.39			1,958
2. Unfinished goods, work in progress	320,314.34			321
3. Finished goods and merchandise	1,062,441.78			489
		6,465,717.51		2,768
II. Receivables and other assets				
1. Trade receivables	1,802,332.19			1,464
			10,112,044.76	5,471
C. Accruals and deferred income			44,885.59	29
D. DEFERRED TAX ASSETS			415,687.29	381
E. Deficit not covered by equity			3,391,641.70	2,126
			18,462,815.23	11,191

Liabilities			31.12.2017
	EUR	EUR	kEUR
2. Receivables from affiliates	1,134,585.33		628
3. Other assets	352,351.96		138
		3,289,269.48	2,230
III. Cash on hand, bank balances credit institutions and cheques		357,057.77	473

Electronic copy

A. Equity			
I. Subscribed capital	25,580.00		26
II. Capital reserve	9,500,000.00		9,500
III. Loss carryforward	-11,651,369.49		-9,461
IV. Annual net loss	-1,265,852.21		-2,191
thereof not covered	3,391,641.70		2,126
		0.00	0
B. Provisions			
1. Provisions for pensions and similar obligations	924,981.17		806
2. Other provisions	721,896.24		710
		1,646,877.41	1,516
C. Liabilities			
1. Trade payables	3,765,290.93		2,486
2. Liabilities from affiliates	12,589,464.12		6,605
3. Other liabilities	461,182.77		584
		16,815,937.82	9,675.
		18,462,815.23	11,191

Annex 2

PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn Profit and loss statement for 2018

	EUR	EUR	EUR	2017 kEUR
1. Sales revenue			25,444,621.13	17,287
2. Increase in inventories of finished goods and work in progress		607,931.28		47
3. Other operating income		481,290.71		344
			26,533,843.12	17,678
4. Cost of materials				
a) Expenses for raw materials consumables and supplies and for purchased goods	16,335,799.02			8,626
b) Expenses for services procured	35,093.97			71
		16,370,892.99		8,697
5. Personnel expenses				
a) Wages and salaries	5,053,198.95			4,922
b) Social security contributions and expenditure on pensions and for support *of which for pensions: EUR 153,059.00 (previous year: kEUR 74)*	1,110,702.37			1,030
		6,163,901.32		5,952
6. Amortization of intangible assets classified under non-current assets and fixed assets		810,569.79		960
7. Other operating expenses		4,090,207.55		4,150
			27,435,571.65	19,759
			-901,728.53	-2,081
8. Other interest and similar income *thereof income from discounting: EUR 435.90 (previous year: kEUR 1)*		435.90		6
9. Interest expenses and similar expenses *thereof to affiliates: EUR 357,090.17 (previous year: kEUR 150)*		391,050.29		150

		-390,614.39	-144
10. Taxes on income and earnings *of which income from the change in deferred taxes: EUR 34,586.26 (previous year: kEUR 45)*		-36,961.98	-45
11. Result after taxes		-1,255,380.94	-2,180
12. Other taxes		10,471,27	11
13. Annual net loss		-1,265,852.21	-2,191

PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn
Notes to the annual financial statements as at 31 December 2018

I. General information on the annual financial statements

The annual financial statements as at 31 December 2018 were prepared in accordance with the generally applicable and special provisions of commercial law for medium-sized companies and the supplementary provisions of the German Limited Liability Companies Act (GmbhG). The company trades under the name PKC SEGU Systemelektrik GmbH and has its registered office in Barchfeld-Immelborn. The company is entered in the Commercial Register of District Court of Jena under HRB 302198.

For the profit and loss statement, we have adopted the total cost method.

II. Accounting and valuation methods

The following accounting and valuation methods, which are essentially unchanged from the previous year, were used to prepare the annual financial statements.

The annual financial statements were prepared on the assumption that the company will continue as a going concern in accordance with Section 252 (1) No. 2 German Commercial Code (HGB). With regard to facts threatening the existence of the company, we refer to Section VIII.

Intangible fixed assets acquired for a consideration are stated at acquisition cost less scheduled amortization in accordance with their expected useful lives. Depreciation is carried out according to the straight-line method pro rata temporis over a period of 3 to 5 years. Goodwill is subject to scheduled amortization. The underlying useful life of 5 years was chosen in view of the useful business relationships and undelying synergy effects.

Fixed assets are carried at the cost of procurement or manufacturing. Scheduled depreciation is calculated using the straight-line method and in accordance with the expected useful life of 3 to 25 years. In addition to direct costs, production costs include appropriate portions of material and production overheads and the depreciation of fixed assets, to the extent that this is caused by production.

Low-value assets with acquisition costs of up to EUR 800.00 are fully written off in the year of acquisition.

Raw materials, consumables and supplies are valued at average acquisition cost. Necessary depreciation based on the lower of cost or market principle has been made.

Inventories of **work in progress and finished goods** are valued at production cost in accordance with Section 255 (2) German Commercial Code (HGB). In addition to direct material and production costs, these include appropriate portions of material and production overheads in the form of a flat rate, prudently calculated premium, as well as the production-related depreciation of fixed assets. Necessary depreciation based on the lower of cost or market principle has been made.

All inventory risks linked to inventory assets resulting from the storage period or reduced usability were taken into account by means of appropriate value reductions.

Receivables and other assets are carried at their nominal value. Where risk-carrying items exist, the respective risk is taken into account by making appropriate individual value adjustments. The general default risk is taken into account by a general bad-debt provision in accordance with Group guidelines.

Cash and cash equivalents are stated at nominal value.

Deferred taxes have been set up in accordance with Section 274 (1) German Commercial Code (HGB) for differences between the commercial-law valuation of assets, liabilities and prepaid expenses and their tax valuation, which will probably be reversed in subsequent financial years. Deferred taxes are calculated at a tax rate of 28.3% and relate to goodwill, pension provisions and provisions for anticipated losses. Insofar as an overall tax relief (asset surplus) exists, the capitalisation option pursuant to Section 274 (1) Sentence 2 German Commercial Code (HGB) has been exercised.

Provisions for **pensions** are calculated using actuarial principles according to the projected unit credit method and taking biometric probabilities into account. The “Richttafeln 2018 G” (Mortality Tables 2018 G) by Prof. Dr. Klaus Heubeck were used as the basis for calculation, with an assumed interest rate of 3.21% p. a. (previous year: 3.68 %) and a pension trend of 1.5 % p. a. (previous year: 1.5 %). Wage and salary increases are not to be taken into account given that the beneficiaries are pensioners and persons who have left the company. The discount rate used corresponds to the average market interest rate of the last ten years with an assumed remaining term of 15 years in accordance with the Deutsche Bundesbank.

The assets used exclusively to meet pension obligations and withdrawn from access for all other creditors (cover assets within the meaning of Section 246 (2) Sentence 2 German Commercial Code [HGB]) were measured at fair value and offset against the corresponding provisions. In view of the fact that there is no active market on the basis of which the market price can be determined, the amortized cost was used to determine the fair value of the offset assets.

Other provisions take into account all identifiable risks and uncertain obligations and are valued at the settlement amount required in accordance with sound business judgement. If provisions have a remaining term of more than one year, they are discounted in line with the remaining term using the average market interest rate of the past seven years.

Liabilities are carried at their settlement amount.

Liabilities in foreign currencies are converted into euros at the mean spot exchange rate on the date of their initial posting. At the balance sheet date, they are valued at the mean spot exchange rate if the remaining term of the liabilities does not exceed one year. All other foreign currency liabilities are valued at the higher of the exchange rate on the date of invoice or the mean spot exchange rate at the balance sheet date.

III. Notes to the balance sheet

The breakdown of the asset items summarised under non-current assets in the balance sheet and their development in 2018 are shown in the annex (schedule of fixed assets) to the Notes.

The goodwill included is amortized over a useful life of five years and was fully written off in the 2018 financial year.

As in the previous year, all receivables have a remaining term of up to one year.

Receivables from affiliates include trade receivables of kEUR 1,135 (previous year: kEUR 628).

The capitalisation of deferred taxes results in a blocked disbursement amount of kEUR 416 (previous year: kEUR 381) as per Section 268 (8) German Commercial Code (HGB). In addition, there is the difference amount blocked from disbursement between the settlement amount of the provision for pensions based on the average market interest rate of the past ten financial years (3.21%) and the amount of the provision for pensions based on the corresponding average market interest rate of the past seven financial years (2.32%). This difference amounts to kEUR 271 (previous year: kEUR 250).

The difference from the first-time application of the “2018 G Mortality Tables” of Prof. Dr. Klaus Heubeck amounts to kEUR 35.

The subscribed capital of the company remains unchanged at EUR 25,580.00 and is held in full by PKC Wiring Systems Oy, Kempele/Finland.

The fair value (equal to the acquisition cost) of the existing reinsurance policy of kEUR 1,333 was offset against the settlement amount of the provisions for pensions of kEUR 2,258 at the balance sheet date in accordance with Section 246 (2) Sentence 2 German Commercial Code (HGB). Income from the cover assets to be offset in the amount of kEUR 42 was offset against expenses from the compounding of interest on provisions for pensions in the amount of kEUR 76.

The other provisions mainly include personnel-related provisions (kEUR 361; PY: lEUR 355), customer bonuses (kEUR 60; PY: EUR 139), provisions for warranties (kEUR 58; PY: kEUR 39), costs of preparing the annual financial statements (kEUR 55; PY: kEUR 36), and contributions to professional associations (kEUR 36; PY: kEUR 36), provisions for tools (kEUR 7; PY: kEUR 28), provisions for consulting services (kEUR 7; PY: kEUR 4), provisions for the storage of old files (kEUR 17; PY: kEUR 17), energy (kEUR 31; PY: kEUR 28), miscellaneous (kEUR 82; PY: kEUR 22), telephone (kEUR 5,000; PY: kEUR 5) and provisions for cleaning (kEUR 2; PY: kEUR 2).

The liabilities are composed as follows:

		Residual term		
	Total amount kEUR	up to 1 year kEUR	over 1 to 5 years kEUR	more than 5 years kEUR
		kEUR	kEUR	kEUR
Trade payables	3,765	3,765	-	-
Previous year	*(2.486)*	*(2,486)*	*(-)*	*(-)*
Liabilities from affiliates	12,589	12,589	-	-
Previous Year	*(6,605)*	*(6,605)*	*(-)*	*(-)*
Other liabilities	461	461	-	-
Previous Year	*(584)*	*(584)*	*(-)*	*(-)*
	16,815	16,815	*(-)*	*(-)*
	(9,675)	*(9,675)*	*(-)*	*(-)*

With the exception of individual retention of title provisions on the part of suppliers, no special securities have been granted for the liabilities.

Liabilities to affiliates include trade payables in the amount of kEUR 956 (previous year: kEUR 109) and loan liabilities to the shareholder in the amount of kEUR 2 (previous year: kEUR 2). Cash pool liabilities in the amount of kEUR 9,633 (previous year: kEUR 4,496) are due to the Group parent company PKC Group PLC, Helsinki/Finland.

Other liabilities include tax liabilities in the amount of kEUR 51 (previous year: kEUR 38) and social security liabilities in the amount of kEUR 5 (previous year: kEUR 6).

IV. Notes to the profit and loss statement

Other operating income mainly includes kEUR 225 (previous year: kEUR 109) in income from the reversal of customer bonus provisions and personnel provisions relating to other periods and kEUR 216 (previous year: kEUR 140) in income from the sale of tools and machines. Income from foreign currency conversions in the amount of kEUR 4 (previous year: kEUR 4) is also included.

Other operating expenses include expenses for temporary workers of kEUR 1,161 (previous year: kEUR 1,168) and expenses for services rendered by other Group companies of PKC Group PLC of kEUR 1,160 (previous year: kEUR 1,220).

The company participates in the cash pooling system of PKC Group PLC. Interest and similar expenses increased by kEUR 242 compared to the previous year and totalled kEUR 391. The increase is mainly due to the higher cash pool liabilities.

Taxes on income and earnings include the following items at kEUR 35 (previous year: kEUR 45 thousand)
Income from the change in deferred taxes.

V. Contingent liabilities and other financial obligations

There are other financial obligations from rental and lease agreements amounting to kEUR 129, kEUR 63 of which are due in the next financial year.

VI. Information on transactions not included in the balance sheet

In order to optimise the company's working capital, a factoring agreement with a total financing limit of kEUR 1,400 was concluded in 2018. As at the balance sheet date, the company sold receivables totalling kEUR 841 based on this agreement. As a result, PKC had received funds in this amount from the factoring bank as at the balance sheet date and the credit risk of the sold receivables was transferred to the buyers in this amount. The risk arising from the variable interest rate of the financing until the time of payment by the customers is not considered to be significant given the current conditions characterising interest/capital markets.

VII. Other disclosures

During the past financial year, the management function was performed by:

- Mr Christian Storandt, Managing Director Technology & Sales
- Mr. Andreas Heuser, Managing Director for Activities in Europe and Americ for the Samvardhana Motherson Group, since 10 September 2018

With regard to the disclosures in accordance with Section 285 No. 9 Letters a and b German Commercial Code (HGB), the protection clause in accordance with Section 286 (4) German Commercial Code (HGB) was invoked.

On average, 124 industrial workers and 57 salaried employees were employed in the financial year.

The company is a wholly owned subsidiary of PKC Wiring Systems Oy, based in Kempele, Finland. Both companies are consolidated in the consolidated financial statements of PKC Group PLC based in Helsinki/Finland (smallest group of companies). The consolidated financial statements are available at the company's registered office. PKC SEGU Systemelektrik GmbH is included at the highest level in the consolidated financial statements of Motherson Sumi Systems Limited (MSSL), Noida/India (largest group of companies). The consolidated financial statements of MSSL are available on the company's homepage at www.motherson.com.

VIII. Risks threatening the existence of the company

There are risks to the company's continued existence, the presentation of which we refer to in the management report in Section “C.1. Risks to the company as a going concern”.

IX. Nachtragsbericht

Mit Datum vom 12. April 2019 hat die Muttergesellschaft zugunsten der PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn, eine allgemeine Liquiditätszusage und eine allgemeine Eigenkapitalgarantie bis zu einem Maximalbetrag von EUR 5.000.000,00 für einen Zeitraum endend am 31. August 2021 abgegeben.

Barchfeld-Immelborn, den 27. Januar 2020

PKC SEGU Systemelektrik GmbH

Geschäftsführung

Storandt

....

Christian Storandt

....

Andreas Heuser

PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn Development of non-current assets 2018

	Acquisition or production costs					Accumulated depreciation					Book values	
			Additions	Disposals Transfers				Additions	Disposals Transfers			
	01.01.2018				31.12.2018	01.01.2018				31.12.2018	31.12.2018	31.12.2017
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	kEUR
I. Intangible assets												
1. Concessions acquired for consideration, industrial property rights and similar rights and assets and licenses to such rights and assets	731,014.49	10,402.00	0.00	0.00	741,416.49	698,653.99	14,226.00	0.00	0.00	712,879.99	28,536.50	32
2. Goodwill	1,001,000.00	0.00	0.00	0.00	1,001,000.00	934,267.00	66,732.50	0.00	0.00	1,000,999.50	0.50	67
	1,732,014.49	10,402.00	0.00	0.00	1,742,416.49	1,632,920.99	80,958.50	0.00	0.00	1,713,879.49	28,537.00	99
II. Property, plant and equipment												
1. Land, land rights and buildings, including buildings on third-party land	4,695,533.23	0.00	0.00	43,425.95	4,738,959.18	3,064,745.74	110,832.45	0.00	0.00	3,175,578.19	1,563,380.99	1,631
2. Technical equipment and machinery	12,424,675.60	481,389.15	792,710.76	1,046,882.94	13,160,236.93	11,497,094.10	474,358.59	792,623.26	0.00	11,178,829.43	1,981,407.50	928
3. Other equipment, operating and office equipment	3,977,978.48	138,756.80	1,607.21	242,650.45	4,357,778.52	3,743,540.98	144,420.25	1,072.21	0.00	3,886,889.02	470,889.50	234
4. Payments on account and assets under construction	292,421.26	1,532,728.98	37,850.00	-1,332,959.34	454,340.90	0.00	0.00	0.00	0.00	0.00	454,340.90	292
	21,390,608.57	2,152,874.93	832,167.97	0.00	22,711,315.53	18,305,380.82	729,611.29	793,695.47	0.00	18,241,296.64	4,470,018.89	3,085
	23,122,623.06	2,163,276.93	832,167.97	0.00	24,453,732.02	19,938,301.81	810,569.79	793,695.47	0.00	19,955,176.13	4,498,555.89	3,184

PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn
Management report on the annual financial statements as of 31 December 2018

A. Business activities and macroeconomic conditions

1. Basis of the company

Our company is one of the largest employers and trainers in southern Thuringia. We are a long-standing partner in the automotive supply industry in the areas of ABS cables and assembled cables. Leading manufacturers of commercial vehicles have also been reliably supplied with proprietary electronic modules and plastic components over many years.

The parent company of the Group is PKC Group PLC with headquarters in Helsinki/Finland. On 24 March 2017, Motherson Sumi Systems Ltd, (MSSL), Noida/India, acquired 93.75% of the shares and stock options via its wholly owned subsidiary MSSL Estonia WH ÖU, Tallinn/Estonia. PKC Group PLC subsequently applied for permanent delisting from the Helsinki Stock Exchange, Finland, on 16 August 2017. On 7 September 2017, the acquisition of the remaining minority shares by MSSL Estonia WH ÖU was approved by the Court of Arbitration at the Finnish Chamber of Commerce.

2. Development of the industry

Strong cost pressure exerted by car manufacturers on the supply industry worldwide continues unabated. Some suppliers have, therefore, established or further expanded wage-intensive production facilities in low-wage countries in addition to their locations in Germany. Large groups with a passenger car and commercial vehicle division are in the process of generating volume bundling by reducing their suppliers, which will further lower prices. In addition, the electrical/electronic equipment found in vehicles continues to increase: Again, optional components become standards and new options, driven by CO_2 reduction, GPS, safety components, Ethernet modules are being added.

This forces the supplier industry to adapt to these shifts in requirements by way of

- Increase of competences in the field of development
- Increase of logistics competence
- Compliance with high quality standards
- Progressive specification of products
- Increase of the vertical range of manufacture/value creation in our own company· Increase of flexibility

3. Customer development

Business with key accounts has been (and continues to be) the focus of attention. Through the global presence of PKC Group PLC, we aim to support and supply our customers in Europe, Asia and North and South America. The required competence in development is to be constantly increased and expanded. With our affiliation to the Samvardhana Motherson Group we see a steadily growing customer portfolio in the area of leading car manufacturers going forward.

4. Supplier development

In the year under review, we continued our activities to develop our suppliers, partly with the participation of our customers. Our “regular suppliers” are still active on the market and are the quality guarantors for our preliminary products.

In the financial year 2018, requirements were bundled in close cooperation with Global Sourcing and supplier development was continued in coordination with Central Purchasing. This applies to both direct and indirect material.

5. Investments

The investments made in the financial year 2018 amounted to kEUR 2,163 and mainly relate to technical equipment in the electronics and injection moulding divisions. The investment volume was thus kEUR 1,499 higher than in the previous year.

6. Our strategy for the future

The strategy for the future is significantly influenced by the affiliation to PKC Group PLC and also by the Samvardhana Motherson Group (SMG).

The most important elements of our strategy remain

- The expansion of plastic component production through new projects in the passenger car sector and increasing the vertical range of manufacture in the commercial vehicle sector,
- The shoring up the vehicle electronics division by expanding the degree of automation and introducing new customer projects,
- The expansion of the company’s location in Germany to a competence centre in the field of electrical distribution systems and components in vehicles,
- The expansion of development services in R&D, both for customers and other PKC and SMG locations.

B. Economic situation of facing the company

1. Earnings position

The company is managed in accordance with Group guidelines within the framework of internal accounting. For management, the main financial performance indicators used are sales revenues and annual result. Revenues in the 2018 financial year amounted to kEUR 25,445, an increase of around 47% compared with the previous year (kEUR 17,287). The forecast of kEUR 25,513 for the previous year was thus almost achieved. The year-on-year increase is primarily due to the increase in intra-group product sales. For the financial year 2019, we anticipate sales of kEUR 32,849. In the following financial year, a constant revenue level vis-a-vis 2019 is expected in line with the current order situation.

The cost of materials ratio (cost of materials in relation to total operating performance) deteriorated by 12.6 percentage points year-on-year to 62.8% and is attributable to an amended product portfolio.

The gross profit improved by kEUR 1,182 to kEUR 10,163. This increase is explained by the mEUR 7.674 higher cost of materials alongside mEUR 8.295 higher revenue and other operating income, as well as the increase in inventories by kEUR 561,000.

Personnel costs increased by kEUR 212 in the reporting period, mainly driven by the change in wages and salaries.

Depreciation and amortization decreased by kEUR 149 year-on-year to kEUR 811, primarily due to lower investments of the previous year. Other operating expenses decreased by kEUR 60 from kEUR 4,150 to kEUR 4,090.

The company participates in the cash pooling system of PKC Group PLC. Overall, interest expenses (kEUR 391) increased by kEUR 241 compared to the previous year, mainly due to the higher cash pool liabilities.

The net loss for the financial year 2018 amounts to kEUR 1,266 and has thus been further reduced by kEUR 925 compared to the previous year. Due to the improved earnings situation, the previous year's forecast was met. This was due, in particular, to the increase in sales, without any significant increase in fixed costs.

2. Financial position

As in previous years, the company's financial resources in 2018 were provided through internal measures within the group. The company received the liquidity it needed by participating in the group-wide cash pooling system. There were no additional shareholder loans or a capital increase.

The cash flow from operating activities of kEUR -2,774 and a cash outflow from investing activities of kEUR -2,088 were offset by a cash outflow from financing activities of kEUR -391. Liabilities from the Group's internal cash pool – which were included in cash and cash equivalents – increased from kEUR 4,496 to kEUR 9,633 in the year under review. Cash and cash equivalents decreased accordingly by kEUR 116 to kEUR 357.

At the balance sheet date, the equity capital amounted to kEUR -3,392 (previous year: kEUR -2,126), the equity ratio was -18.4 % (previous year -19.0 %). The reduction in equity is due to the annual net loss (kEUR 1,266).

3. Asset position

The balance sheet total increased by kEUR 7,272 to kEUR 18,463 compared to the previous year. On the assets side, this is mainly due to the increase in current assets (kEUR 4,641). The increase in current assets is mainly due to the increase in inventories (kEUR 3,698), trade receivables (kEUR 338) and receivables from affiliates (kEUR 507). On the liabilities side, the increase in the balance sheet total is mainly due to the higher liabilities vis-a-vis affiliates (kEUR 5,984). The increase in liabilities to affiliates is mainly due to the increase in cash pool liabilities (kEUR 5,137). As at the balance sheet date, the company reported a cash pool liability to PKC Group PLC, Helsinki/Finland, of kEUR 9,633.

The book value of the fixed assets accounts for approx. 24 % (previous year: approx. 28 %) of the balance sheet total.

Reinsurance claims amounting to kEUR 1,333 were offset against pension provisions (kEUR 2,258) in accordance with Section 246 (2) Sentence 2 German Commercial Code (HGB).

4. Non-financial indicators

In order to be able to react appropriately and flexibly to changes in demand, the company's employee base consists primarily of permanent employees and employees on time-limited contracts, as well as temporary staff.

The idea of quality is firmly anchored in the company in all areas. The company's quality performance (including rate of complaint, delivery reliability, OEE [Overall Equipment Effectiveness], sickness rate, staff turnover) is measured, analysed and evaluated in accordance with the manual within the framework of the process indicators. The Quality Management System was revised in accordance with the amended requirements of DIN EN ISO 9001:2015 and IATF16949:2016 and confirmed by way of transition audits in the year under review with the following certificates:

- Quality Management System according to DIN EN ISO 9001:2015 No. 144573 2013-AQFIN-FINAS for product and process development, production and distribution of wire harnesses, cable assemblies and electronic modules and

- Quality Management System according to IATF 16949:2016 No. 146420-2013-AQ-FINIATF for the development and production of wire harnesses and cable assemblies, electrical and electronic vehicle assemblies and injection-moulded components.

Increased environmental awareness is reflected in the introduction of an Environmental Management System according to DIN EN ISO 14001. The performance of the Environmental Management System is measured, analysed and evaluated in accordance with the environmental management manual on the basis of environmental indicators (including energy consumption, water consumption, use of process water, waste generation, copper scrap, etc.). The Environmental Management System was further developed in accordance with the amended requirements of DIN EN ISO 14001:2015 and its effectiveness was confirmed by way of a transition audit with certificate No. 144574-2013-AE-FIN-FINAS.

5. Research and Development

In 2018, the company continued to work closely with renowned German institutes, development partners and the University of Cooperative Education in Eisenach (Berufsakademie Eisenach), as well as with the Group and its international customers in the field of application-related technology development. There were 14 employees working in the R&D area.

6. Existing branch offices

The company does not maintain any branch offices.

7. General statement on business development

Taking into account previous years, management assesses the course of business in the year under review as satisfactory. Revenues for the 2018 financial year amount to kEUR 25,545, an increase of kEUR 8,157 over the previous year. Due to the realignment of the company, the previous year's forecast was fully achieved. The company generated negative earnings before taxes (EBT) of kEUR 1.3 million, which is kEUR 0.9 million less than in the previous year. Furthermore, the cost structure of the company was improved accordingly, mainly due to the strategic realignment (investments in electronics and component production, expansion of the R&D and EDS area), so that the previous year's forecast (mEUR 1.3) was fully met.

C. Opportunities and risks of future development

1. Risk to the continued existence of the company

From today's perspective, risks that threaten the existence of the company or significantly impair its net assets, financial position and results of operations are discernible, as the company finds itself in a tight liquidity situation due to the negative results and negative cash flows from operating activities in recent financial years. Liquidity is provided to the company through a cash pool agreement with PKC Group PLC and a credit facility from the parent company PKC Wiring Systems Oy. In addition, on 12 April 2019, the parent company issued a general liquidity commitment in favour of PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn, and a general equity guarantee (letter of comfort) up to a maximum amount of EUR 5,000,000.00 for a period ending on 31 August 2021. The maintenance of solvency and, thus, the continuation of the company's business activities is dependent on the maintenance of this cash pool agreement with PKC Group PLC and the financial support of the parent company, which has granted the above-mentioned credit facilities and issued a letter of comfort, until sustainable positive operating cash flows are generated.

2. Raw materials market

With regard to raw material procurement, there are still signs of a trend towards a shortage of resources and associated price increases. This trend can be seen throughout the automotive industry. In order to ensure that demand is met and prices are in line with the market, the company acts as part of the large Samvardhana Motherson Group and thus attempts to minimise the risks associated with key suppliers.

3. Shortage of skilled workers

In terms of retaining skilled employees, the company will continue to focus on the PKC-wide performance and talent management programme and the related training and development opportunities in the following year. As indicators of employee satisfaction, process indicators such as sick leave, staff turnover and quality performance are monitored on a monthly basis.

In the area of employee recruitment, the company is relying on an increased regional presence at local trade fairs and in local media.

4. Customer volume

Fluctuating customer requirements of +/-20 % are anticipated throughout the automotive industry in the near term. The necessary flexibility is ensured by using semi-skilled temporary workers.

To reduce dependence on individual customers, both internal and external sales activities are managed.

5. Price pressure and competition

Management expects competition to continue its intensification in the coming financial year, and in further years to come. In addition, constant cost pressure from the automotive industry is expected. As a result, further measures to reduce costs – both in the production area and in indirect processes – are planned. In line with this, since 2018 the focus has been on the significant expansion of plastic component production, the optimisation of electronics production and increasing the in-house vertical range of manufacture. Noticeable positive effects from these measures have already been felt since the 2018 financial year.

Due to the ongoing alignment of operating conditions to the risks arising in the market, our company will also be able to maintain its market position in the coming years.

Forecast report

Expansion of electronics and plastic parts production in the wiring systems segment

In the 2018 financial year, it was decided to further expand plastic parts production on site. Mass production will start in 2019 and will amount to around mEUR 5 for the full year.

In addition, further projects are currently in the acquisition and planning phase in the electronics and plastic parts segment, which should enable PKC SEGU Systemelektrik GmbH to achieve sales of at least mEUR 25 to mEUR 30 million in the medium term.

Geschäftsentwicklung

Mit Ablauf des Oktober 2019 hat die Gesellschaft das Geschäftsjahr bereits besser abgeschlossen als das vorherige Geschäftsjahr 2018 insgesamt. Bislang liegen die Umsatzerlöse und das EBT zwar unter dem ursprünglichen Budget, was im Wesentlichen auf die wirtschaftliche Lage zurückzuführen ist, die Performance wird jedoch als zufriedenstellend eingestuft. Zum Abschluss des Geschäftsjahres 2019 erwartet die Gesellschaft Umsatzerlöse von insgesamt EUR 33 Mio. und ein positives EBT in Höhe von TEUR 709.

Der Anstieg in den Umsatzerlösen beinhaltet einerseits eine erweiterte Kundenstruktur sowie Volumenerhöhungen und/oder -verschiebungen im vorhandenen Produktmix.

Für das Geschäftsjahr 2020 erwartet die Gesellschaft entsprechend der aktuellen Auftragslage ebenfalls Umsatzerlöse in Höhe von EUR 33 Mio., sowie ein positives EBT in Höhe von TEUR 1.018. Das Produktportfolio wird sich aus aktueller Sicht im kommenden Jahr nicht weiter verändern.

Durch die Eingliederung der PKC Group PLC in die Samvardhana Motherson Group ergeben sich Synergieeffekte im Bereich HR, Einkauf, Vertrieb, Forschung und Entwicklung und Finanzen, welche auch unserer Gesellschaft zu Nutze kommen.

Barchfeld-Immelborn, den 27. Januar 2020

PKC SEGU Systemelektrik GmbH

Geschäftsführung

Storandt

....

Christian Storandt

....

Andreas Heuser

1. Fundamentals under corporate law

PKC SEGU Systemelektrik GmbH is registered in the Commercial Register of Jena under HRB No. 302198. We have received an extract from the Commercial Register dated 25 October 2019 with the last entry dated 30 November 2018.

The articles of association in the version of 29 September 2011 apply.

The object of the company is the development, production and sale of electro-technical systems.

The financial year is the calendar year.

Nominal capital

The share capital of EUR 25,580.00 is fully paid up. The sole shareholder is PKC Wiring Systems Oy in Kempele/Finland.

Management and representation

The following individuals have been appointed as Managing Directors

Herr Christian Storandt, Schwallungen

Mr. Andreas Heuser, Bad Soden-Salmünster (since 10 September 2018)

If only one Managing Director has been appointed, he or she represents the company alone. If several managing directors have been appointed, the company is represented by two managing directors jointly. Mr. Michael Schulz, Moorgrund, has been granted joint power of procuration together with one Managing Director. According to the Commercial Register, the Managing Directors are exempt from the restrictions of Section 181 German Civil Code (BGB).

Shareholders' resolutions

The following resolutions were passed at the Shareholders' Meeting dated 18 March 2019:

- The annual financial statements for the financial year 2017, audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft GmbH, Freiburg i. Br were approved;

- Managing Director, Mr Storandt, has been granted discharge for the 2017 financial year.

At the Shareholders' Meeting dated 23 November 2018, the following resolution was passed

- Ernst & Y oung GmbH Wirtschaftsprüfungsgesellschaft GmbH, Freiburg i. Br., is appointed as auditor for the 2018 financial year.

The following resolutions were passed at the Shareholders' Meeting dated 10 September 2018:

- the sole power of representation granted to Mr Christian Storandt, Schwallungen, is revoked with immediate effect;

- Mr. Andreas Heuser, Bad Soden-Salmünster, is appointed Managing Director;

- the sole power of procuration granted to Mr. Michael Schulz, Moorgrund, is revoked with immediate effect;

Mr. Michael Schulz, Moorgrund, is granted joint power of procuration with one Managing Director.

2. Significant contracts

Service agreement: PKC Wiring Systems Oy

A service agreement between PKC Wiring Systems Oy, Kempele, Finland, and the company has been in place since 1 May 2011, under which PKC Wiring Systems Oy renders services in the areas of risk management, planning and budgeting, research and development and information technology. Remuneration occurs on a cost-plus basis.

Service agreement PKC Eesti AS

An agreement with PKC Eesti AS, Keila/Estonia, for the rendering of certain sales and management services to certain key accounts has been in place since 15 August 2012. Remuneration also occurs on a cost-plus basis.

Cash pooling

The company participates in the cash pooling system of the Group parent company PKC Group PLC, Helsinki/Finland.

Credit framework agreement: PKC Wiring Systems Oy

Under an agreement dated 2 September 2013, PKC Wiring Systems Oy has granted the company a credit facility of EUR 7,000,000.00, up to which the company can draw down loan amounts. The credit term is a maximum of five years and bears interest at the 3-month Euribor rate plus 3.5%. Repayment of the loan was due upon the expiration of 1 September 2018, but was tacitly extended. By way of an amendment to the contract dated 1 October 2019, the due date for repayment was set at 27 December 2021, with all other conditions remaining unchanged. The loan is valued at EUR 2,000,000.00 as at the reporting date.

Factoring agreement BNP Paribas S.A.

PKC Group Ltd, Helsinki/Finland entered into a factoring agreement with BNP Paribas S.A., Dublin/Ireland as at 27 March 2018. With effect from 19 September 2018, PKC SEGU Systemelektrik GmbH was added to the existing agreement. The total financing limit attributable to PKC amounts to EUR 1,700,000.00. The default risk for those receivables sold is assumed by the buyer, while the inventory risk remains with the seller. The purchase price is the respective nominal amount of the receivable less a factoring fee, which is based on the 1-month Euribor + 0.95 percentage points. As at the balance sheet date, PKC SEGU Systemelektrik GmbH sold EUR 840,862.88 to BNP Paribas S.A. under this agreement.

3. Letter of comfort

On 15 March 2018, PKC Wiring Systems Oy, Kempele/Finland (patron) declared to PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn, Germany, that it has the obligation to manage (and ensure the financial provisioning of) the company in such a way that it will always be in a position to meet its present and future liabilities vis-a-vis creditors on time and will not become insolvent within the meaning of Section 17 German Insolvency Act (InsO). The patron declares to always provide the company with financial resources by injecting equity capital or subordinated loans in such a way that a state of over-indebtedness within the meaning of Section 19 German Insolvency Act (InsO) does not occur. The letter of comfort is time-limited until 31 March 2020 and is limited to a maximum amount of EUR 5,000,000.00. German law applies. The place of jurisdiction is either Jena or the registered office of the defendant, at the plaintiff's discretion.

With effect from 12 April 2019, PKC Wiring Systems Oy, Kempele/Finland (patron) declared to PKC SEGU Systemelektrik GmbH, Barchfeld-Immelborn, Germany, that it has the obligation to manage (and ensure the financial provisioning of) the company in such a way that it will always be in a position to meet its present and future liabilities vis-a-vis creditors on time and will not become insolvent within the meaning of Section 17 InsO. The patron declares to always provide the company with financial resources by injecting equity capital or subordinated loans in such a way that a state of over-indebtedness within the meaning of Section 19 InsO does not occur. The letter of comfort is time-limited until 31 August 2021 and is limited to a maximum amount of EUR 5,000,000.00. German law applies. The place of jurisdiction is either Jena or the registered office of the defendant, at the plaintiff's discretion.

This letter of comfort replaces the letter of comfort issued on 15 March 2018.

4. Taxation circumstances

The company is registered for tax purposes with the Mühlhausen tax office.

The last tax audit covered the assessment periods up to and including 2013.

The tax returns up until 2017 have been assessed. These assessments are subject to review.

Terms and Conditions, liability and reservation of use

In the audit report, the auditor has summarised the results of his work, in particular for those corporate bodies of the company that are responsible for monitoring the audit. The audit report has the task of supporting the monitoring of the company by the responsible body by documenting significant audit findings. It is, therefore, directed exclusively at company bodies for internal use, without prejudice to any third party rights of receipt or inspection as established by special legal provisions.

Our activities are based on our letter of engagement for the audit of the present financial statements, including the “General Terms and Conditions of Assignment for Auditors and Auditing Companies” as issued by the Institute of Auditors in Germany in the version of 1 January 2007

This audit report is intended solely to serve as the basis for decisions by the company's governing bodies and is not to be used for any purpose other than that for which it is intended, meaning that we do not assume any responsibility, liability or other sense of duty vis-a-vis third parties, unless we have entered into a written agreement to the contrary with the third party, or if such an exclusion of liability would be invalid.

We expressly point out that we do not update the audit report and/or audit opinion with regard to events or circumstances occurring after the audit opinion was issued, unless we are required to do so by law.

Whoever takes note of information contained in this audit report is solely responsible for deciding whether (and in what form) they consider this information to be useful and suitable for their purposes and for extending, verifying or updating it by way of their own investigative actions.