SMP Deutschland GmbH
Bötzingen

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

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Building a better working world

Table of contents

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 SMP Deutschland GmbH

Opinions

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

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

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

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

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

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

Other information

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

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

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

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

- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the annual financial statements and the management report

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

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

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

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of 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., 28 June 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Wetzel	Schmidt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

SMP Deutschland GmbH, Bötzingen
Balance sheet as of 31 March 2019

Assets	EUR	EUR	EUR	31 Mar 2018 EUR k
A. Fixed assets				
I. Intangible assets				
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets		5,369,008.00		6,256
II. Property, plant and equipment				
1. Land, land rights and buildings, including buildings on third-party land	77,796,639.83			58,824
2. Plant and machinery	79,217,419.00			65,663
3. Other equipment, furniture and fixtures	6,599,659.17			6,817
4. Prepayments and assets under construction	26,882,770.43			38,430
		190,496,488.43		169,734
III. Financial assets				
1. Shares in affiliates	10,945,929.95			10,946
2. Loans to affiliates	19,000,000.00			16,500
3. Equity investments	2,710,342.14			2,638
4. Other loans	3,829,864.66			3,265
		36,486,136.75		33,349
			232,351,633.18	209,339
B. Current assets				
I. Inventories				
1. Raw materials, consumables and supplies	36,814,453.46			34,533
2. Work in process	250,195,455.44			230,136
3. Finished goods and merchandise	3,351,612.42			2,976
4. Prepayments	7,148,054.85			8,486
5. Prepayments received on account of orders	-13,178,989.76			-6,199
		284,330,586.41		269,932
II. Receivables and other assets				
1. Trade receivables	119,212,452.22			118,034
2. Receivables from affiliates	33,630,487.45			25,007
3. Receivables from other investees and investors	198,824.47			542
4. Other assets	7,688,666.04			14,120
		160,730,430.18		157,703
III. Cash on hand, bank balances and checks		17,282,434.66		25,432
			462,343,451.25	453,067
C. Prepaid expenses			880,600.00	639
			695,575,684.43	663,045

Equity and liabilities	EUR	EUR	31 Mar 2018 EUR k
A. Equity			
I. Subscribed capital	25,000.00		25
II. Capital reserves	28,326,479.58		28,327
III. Profit carryforward	45,821,168.35		45,821
		74,172,647.93	74,173
B. Provisions			
1. Provisions for pensions and similar obligations	2,369,318.80		9,166
2. Other provisions	146,681,367.78		159,932
		149,050,686.58	169,098
C. Liabilities			
1. Liabilities to banks	2,030,254.00		3,106
2. Trade payables	193,774,323.45		165,919
3. Liabilities to affiliates	257,217,281.44		233,195
4. Liabilities to other investees and investors	5,109,302.05		4,031
5. Other liabilities	8,021,188.98		13,523
		466,152,349.92	419,774
D. Deferred income		6,200,000.00	0
		695,575,684.43	663,045

Translation from the German language

SMP Deutschland GmbH, Bötzingen
Income statement for the period from 1 April 2018 to 31 March 2019

	EUR	EUR	EUR	2017/2018 EUR k
1. Revenue		1,217,573,661.39		1,287,587
2. Increase in finished goods and work in process		20,434,825.90		13,311
3. Other own work capitalized		103,204.86		280
4. Other operating income		58,920,500.42		42,050
			1,297,032,192.57	1,343,228
5. Cost of materials				
a) Cost of raw materials, consumables and supplies and of purchased merchandise	782,113,516.22			826,448
b) Cost of purchased services	52,412,326.65			43,633
		834,525,842.87		870,081
6. Personnel expenses				
a) Wages and salaries	236,589,271.07			227,600
b) Social security, pension and other benefit costs	46,645,904.82			42,499
		283,235,175.89		270,099
7. Amortization of intangible assets and depreciation of property, plant and equipment		25,642,627.06		26,140
8. Other operating expenses		88,606,177.58		104,073
			1,232,009,823.40	1,270,393
			65,022,369.17	72,835
9. Income from equity investments		13,124,022.43		12,947
10. Income from other securities and loans classified as fixed financial assets		863,426.87		797
11. Other interest and similar income		749,141.30		434
12. Write-downs of financial assets		0.00		145
13. Interest and similar expenses		11,756,333.19		11,401
			2,980,257.41	2,632
14. Income taxes			47.47	64
15. Earnings after taxes			68,002,579.11	75,403
16. Other taxes			2,046,348.72	1,004
17. Expenses from profit transfer			65,956,230.39	74,399
18. Net income for the year			0.00	0

Notes to the financial statements of SMP Deutschland GmbH, Bötzingen, for the fiscal year from 1 April 2018 to 31 March 2019

General

As of 31 March 2019, Samvardhana Motherson Peguform GmbH ("SMP GmbH"), Gelnhausen, holds 94.8% and Samvardhana Motherson Global Holdings Ltd., Nicosia, Cyprus, holds 5.2% of the shares in SMP Deutschland GmbH.

SMP Deutschland GmbH is entered in the commercial register of Freiburg local court under HRB no. B 7436. These financial statements were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for large corporations. The income statement is classified using the nature of expense method.

Recognition and measurement policies

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

Intangible assets are carried at acquisition cost and reduced by amortization using the straight-line method. Where necessary, assets are written down to the lower of cost or market. The economic useful life applied is three to seven years.

Items of ***property, plant and equipment*** are recognized at the depreciated 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 and amortization and depreciation as well as direct materials and production costs. Borrowing costs are not capitalized. Goods subject to wear and tear are depreciated. Extraordinary write-downs to the lower of cost or market were carried out in cases where impairment is expected to be permanent.

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

Write-downs are calculated using the straight-line method. The assets are depreciated pro rata temporis in the year of acquisition. Low-value assets with an acquisition or production cost not exceeding EUR 250 are written off in full as operating expenses. Low-value assets with an acquisition or production cost of more than EUR 250 but no greater than EUR 1,000 were recognized in a collective item and depreciated by 20% p.a. over five years.

Financial assets are valued at acquisition cost including incidental acquisition costs, extraordinary write-downs to the lower of cost or market were carried out in cases where impairment is expected to be permanent. The lessee loans under lease agreements and the loans to affiliates that are included in financial assets are recognized at nominal value.

The weighted average cost method or the lower of cost or market as of the balance sheet date is used to determine the acquisition cost of ***raw materials, consumables and supplies***. ***Finished goods and work in process and merchandise*** are recognized at production cost. To determine the costs directly attributable to production, production cost also includes production overheads and indirect material cost in an appropriate amount, as well as amortization and depreciation. Borrowing costs are not included in the production cost. Sales risks and risks resulting from reduced usability are taken into account appropriately.

Prepayments are stated at nominal value.

Payments received on account of orders are deducted from inventories on the face of the balance sheet, if can be mapped to orders already in process.

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.
For valuation allowances on tooling cost reimbursement claims that were recognized for potentially insufficient purchase volumes, residual compensation payments that are highly likely to be realizable were taken into account because there is no default risk in this respect. Tooling cost reimbursement claims are discounted using an interest rate that reflects the relevant term and risk of between 0.0% and 2.0% (prior year: between 0.0% and 2.0%).

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.

The ***pension provisions*** were calculated using the 2018 G mortality tables by Dr. Klaus Heubeck and valued in accordance with actuarial principles (projected unit credit method) based on an average interest rate of the last ten years of 3.08% (prior year: 3.57%) with a residual term of 15 years and average wage and salary increases of 2.50% p.a. (prior year: 2.50%). Furthermore, future pension increases of 2.00% p.a. (prior year: 2.00%), an increase in the measurement base used for contributions of 2.50% p.a. (prior year: 2.50%) as well as the probability of employee turnover relating to age and gender were taken into account. Pension provisions were valued mandatorily using the 10-year average interest rate pursuant to Sec. 253 (2) HGB in a departure from the general usage of the 7-year average interest rate. Using the valuation base pursuant to Sec. 253 (2) HGB (10-year average of 3.08%) led to a difference of EUR 255k compared with the valuation base pursuant to Sec. 253 (6) HGB (7-year average of 2.24%).

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

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

The provisions for long-service bonuses were calculated using the 2018 G mortality tables by Dr. Klaus Heubeck and valued in accordance with actuarial principles (projected unit credit method) based on an interest rate of 3.12% (prior year: 3.12%) and vested benefits increases of 2.50% p.a. (prior year: 2.50%). Furthermore, an increase in the measurement base used for contributions of 2.50% p.a. (prior year: 2.50%) as well as the probability of employee turnover relating to age and gender were taken into account.

Liabilities are recorded at the settlement value.

Receipts prior to the balance sheet date are recognized as ***deferred income*** if they represent earnings for a certain time after this date.

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

Deferred taxes
The parent company recognizes deferred taxes on account of temporary differences at subsidiaries due to the profit and loss transfer agreement concluded in fiscal year 2012 with SMP GmbH and the related tax group for income tax purposes.

Notes to the balance sheet

Intangible assets and property, plant and equipment
The development of intangible assets and property, plant and equipment is shown in the following statement of changes in fixed assets (see attachment 1 to the notes).

List of shareholdings
Further information on shareholdings is presented in the attachment 2 to the notes.

Receivables and other assets

EUR k	31 Mar 2018	31 Mar 2019	thereof due in more than one year
Trade receivables	118,034	119,212	0
Receivables from affiliates	25,007	33,630	0
Receivables from other investees and investors	542	199	0
Other assets	14,120	7,689	0
Total receivables and other assets	157,703	160,730	0

Of ***trade receivables***, EUR 90,736k relates to tooling amortization receivables (prior year: EUR 77,428k), EUR 71,156k of which is due in more than one year (prior year: EUR 60,375k). All other trade receivables and other assets are due within one year.

Receivables from affiliates comprise financial receivables of EUR 0k (prior year: EUR 1,500k) from SMP GmbH and trade receivables totaling EUR 33,630k (prior year: EUR 23,507k). All receivables from affiliates have a remaining term of less than one year.

As in the prior year, all ***receivables from other investees and investors*** are trade receivables and are also due within one year.

Other provisions

Other provisions primarily consist of provisions for personnel-related matters of EUR 36,758k (prior year: EUR 24,793k), for outstanding engineering costs of EUR 30,750k (prior year: EUR 41,768k), for potential losses from pending transactions of EUR 1,074k (prior year: EUR 3,513k), for outstanding invoices of EUR 14,554k (prior year: EUR 13,413k) and for sales-related matters of EUR 58,837k (prior year: EUR 70,096k).

Other provisions contain provisions for death benefits and vacation and Christmas bonuses of EUR 8,705k. In the prior year, these were recognized under provisions for pensions and similar obligations at an amount of EUR 6,906k. The prior-year figures were not adjusted.

Liabilities

EUR k	31 Mar 2018	31 Mar 2019
Liabilities to banks	3,106	2,030
Trade payables	165,919	193,775
Liabilities to affiliates	233,195	257,217
(thereof to shareholder)	*74,684*	*82,591*
Liabilities to other investees and investors	4,031	5,109
Other liabilities	13,523	8,021
Total liabilities	419,774	466,152

The residual terms of the liabilities break down as follows:

Statement of liabilities as of 31 March 2019 in EUR k	**Total**	**due in less than one year**	**due in more than one year**	**thereof due in more than five years**
1. Liabilities to banks	2,030	1,136	894	0
(prior year)	3,106	1,076	2,030	0
2. Trade payables	193,775	193,429	346	0
(prior year)	165,919	165,919	0	0
3. Liabilities to affiliates	257,217	77,917	179,300	0
(prior year)	233,195	88,695	144,500	0
thereof to shareholders	82,591	66,291	16,300	0
(prior year)	74,684	74,684	0	0
4. Liabilities to other investees and investors	5,109	5,109	0	0
(prior year)	4,031	4,031	0	0
5. Other liabilities	8,021	8,021	0	0
(prior year)	13,523	13,523	0	0
Total liabilities	466,152	285,612	180,540	0
(prior year)	419,774	273,244	146,530	0

Liabilities to affiliates include liabilities under the loans from SMRP B.V. of EUR 163,000k (prior year: EUR 144,500k), from SMP GmbH of EUR 16,300k (prior year: EUR 0k), from SMR Korea Ltd. of EUR 5,000k (prior year: EUR 5,000k), from cash pooling of EUR 480k (prior year: EUR 0k), trade payables of EUR 6,475k (prior year: EUR 8,124k) as well as from the profit/loss transfer to SMP GmbH of EUR 65,956k (prior year: EUR 74,399k) and other liabilities of EUR 6k (prior year: EUR 1,172k).

As in the prior year, ***liabilities to other investees and investors*** stem from trade payables.

EUR 7,686k (prior year: EUR 12,848k) of ***other liabilities*** relates to taxes. Another EUR 37k (prior year: EUR 35k) relates to social security contributions.

Notes to the income statement

Revenue

Revenue by division

EUR k	1 Apr 2017 to 31 Mar 2018	1 Apr 2018 to 31 Mar 2019
Automotive	955,701	903,467
Engineering	290,467	261,652
Other	41,419	52,455
Total	1,287,587	1,217,574

Revenue by sales regions

EUR k	1 Apr 2017 to 31 Mar 2018	1 Apr 2018 to 31 Mar 2019
Germany	1,199,408	1,071,793
Rest of Europe	57,046	86,283
Rest of the world	31,133	59,498
Total	1,287,587	1,217,574

Other operating income

EUR k	1 Apr 2017 to 31 Mar 2018	1 Apr 2018 to 31 Mar 2019
Other operating income		
Cost allocation to affiliates	452	97
Income from currency translation	1,036	993
Sundry other operating income	8,424	11,046
	9,912	12,136
Income relating to other periods		
Reversal of provisions	31,999	45,574
Reversal of valuation allowances	107	751
Income from tax field audit	0	446
Income from the disposal of fixed assets	32	14
Total income relating to other periods	32,138	46,785
Total other operating income	42,050	58,921

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

EUR k	1 Apr 2017 to 31 Mar 2018	1 Apr 2018 to 31 Mar 2019
Wages and salaries	227,600	236,589
Social security	39,146	41,818
Pension costs	3,182	4,717
Other benefit costs	171	111
Other personnel expenses	270,099	283,235

Other operating expenses

EUR k	1 Apr 2017 to 31 Mar 2018	1 Apr 2018 to 31 Mar 2019
Operating expenses		
Purchased services for maintenance	18,063	18,394
Purchased services and technical support	10,167	7,441
Project leases	739	484
Other leasing expenses, rent and leases	14,624	14,969
	43,593	41,288
Administrative expenses		
Third-party IT services	16,768	9,047
Insurance premiums	2,055	2,192
Office materials	1,681	1,545
Other administrative expenses	18,003	11,391
	38,507	24,175
Selling expenses		
Freight costs	10,198	9,063
Expenses for warranties	1,298	1,439
Write-downs	0	296
Other selling expenses	756	772
	12,252	11,570
Expenses relating to other periods		
Losses on the disposal of fixed assets	209	44
	209	44
Other incidental personnel costs	4,882	4,464
Expenses from currency translation	850	1,105
Sundry other expenses	3,780	5,960
Total other operating expenses	104,073	88,606

Financial result

EUR k	1 Apr 2017 to 31 Mar 2018	1 Apr 2018 to 31 Mar 2019
Income from equity investments	12,947	13,124
(thereof from affiliates)	12,947	13,124
Income from loans classified as fixed financial assets	797	863
(thereof from affiliates)	794	861
Interest and similar income	434	749
(thereof from affiliates)	10	46
Write-downs of financial assets	-145	0
Interest and similar expenses	-11,401	-11,756
(thereof to affiliates)	-9,621	-10,655
Total	2,632	2,980

The total of ***interest and similar income*** comprises the unwinding of the discount of the tooling reimbursement receivables of EUR 703k (prior year: EUR 423k).

Income of EUR 794k from loans classified as financial assets was included in interest and similar income in the prior year. The prior year was restated accordingly.

Interest and similar expenses include the expense of unwinding the discount on provisions amounting to EUR 262k (prior year: EUR 284k).

Other taxes

Other taxes contain withholding tax for CPAT's dividend of EUR 656k (prior year: EUR 647k). Real estate tax of EUR 396k is also included (prior year: EUR 353k). Tax expenses relating to other periods contain capital gains tax for 2017 of EUR 118k and VAT of EUR 85k.

Expenses from profit transfer

On 4 December 2012, a profit and loss transfer agreement was concluded with SMP GmbH in accordance with Sec. 291 (1) Sentence 1, 2nd Alternative AktG ["Aktiengesetz": German Stock Corporation Act]. This agreement was approved by the shareholder meeting on 11 December 2012. This was entered into the commercial register on 12 December 2012. Due to this profit and loss transfer agreement, the net income for the year of EUR 65,956k (prior year: EUR 74,399k) was transferred to SMP GmbH.

Other notes

Other financial obligations

The purchase obligation for investment projects comes to EUR 17,217k as of the balance sheet date (prior year: EUR 27,089k). We do not see a real risk of claims because the purchase obligation relates to firm investment projects.

The following obligations are due in the next fiscal years:

Rental and lease agreements

EUR k	31 Mar 2018	31 Mar 2019
within one year	7,966	3,129
between one and five years	13,502	19,666
more than five years	820	1,765
Total obligations	22,288	24,560

The total value of the rental and lease agreements of EUR 24,560k consists of, among other things, obligations of EUR 2,291k from lease agreements for financing property, plant and equipment from project leasing (prior year: EUR 2,461k). EUR 256k (prior year: EUR 765k) of the obligations from project lease agreements has a residual term of less than one year. The rental and lease agreements allow for the liquidity outflows to be spread across the respective term of the agreement. This contributes to reducing the amount of capital tied up and the investment risk remains with the lessor.

Other agreements

EUR k	31 Mar 2018	31 Mar 2019
within one year	8,049	5,187
between one and five years	3,110	7,143
more than five years	1,542	1,542
Total obligations	12,701	13,872

Obligations from other agreements mainly consist of IT support services. These maintenance agreements guarantee fast support in the event of disruptions and ensure provision of the latest updates. This is especially important in our logistics chain as TIER 1. There are no risks resulting from the maintenance agreements because they are IT support services for IT in use.

Of the other financial obligations (other contracts), EUR 7,254k relates to affiliates.

Contingent liabilities

As of 31 March 2019, there were contingent liabilities from letters of comfort granted to the subsidiaries SMP Automotive Solutions Slovakia s.r.o. and SMP Automotive Technology Management Services Co. Ltd. in order to safeguard their business operations.
It is not considered to be likely that any claims will be brought under the contingent liabilities mentioned given the current payment history of the beneficiaries and our knowledge up to the date of preparing these financial statements.

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

SMP Deutschland GmbH has provided the following collateral in **this** context:

- Land charges totaling EUR 370m, entered in the land registers of Bötzingen, Gifhorn, Schwaig, Oldenburg, Grone, Pfaffenhofen a.d. Ilm and Göttingen (pursuant to the agreement on the security purpose of land charges)

- Pledged assets (pursuant to share pledge agreement)

- Collateral assignment of fixed and current assets (pursuant to security transfer agreement)

- Pledging of all bank accounts (pursuant to account pledge agreement)

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

SMP has concluded joint factoring agreements with SMP Automotive Exterior GmbH. The overall financing limit comes to a total of EUR 92k and is usable by both parties. Both parties issue a validity guarantee to the effect that the receivables exist, can be transferred and are not subject to pleas, reservations or rights of the debtor or others. Accordingly, the parties are jointly and severally liable. In addition, the Company has concluded another factoring agreement with a financing limit of EUR 35k (prior year: EUR 35k). As of the balance sheet date, SMP Deutschland GmbH sold receivables of EUR 81,878k (prior year: EUR 86,129k) and SMP Automotive Exterior GmbH sold receivables of EUR 14,396k (prior year: EUR 23,001k) under these agreements. The risk of claims is deemed to be low because it is assumed that the sold receivables are valid and therefore the receivables will be settled by the customer.

Notes on off-balance-sheet transactions

The project lease agreements result from the fact that financing property, plant and equipment was only possible via lease agreements in conjunction with lessee loans during the insolvency of Peguform GmbH & Co. KG i.L. from 2002 to 2004. These agreements are not operating lease agreements included in the balance sheet, their advantage being the possibility to use fixed assets without initial capital expenditure. The risks related to the agreements are mainly attributable to providing liquidity in a timely manner in order to fulfill the contractual payment obligations.

Factoring agreements were concluded to optimize the Company's working capital. Thus, the credit risk of the sold receivables of EUR 81,878k (prior year: EUR 86,129k) was transferred to the buyer as of the balance sheet date. SMP received cash and cash equivalents of the same amount from the receivables sold to the factoring banks as of the balance sheet date. The risk from the financing subject to variable interest up to the date of payment by the customers is deemed immaterial given the current conditions on the interest rate and capital markets.

The consignment stock agreements concluded with various suppliers enable the Company to further optimize its working capital.

Employees

Average number of employees during the year:

	31 Mar 2018	31 Mar 2019
Salaried employees	2,583	2,549
Wage earners	2,015	1,991
Trainees	215	201
Total	4,813	4,741

Members of the supervisory board

The Company's supervisory board comprises the following persons:

Last name	First name	Place of residence	Profession	Function
Amann	Gerhard	Sasbach	Chair of the SMP works council	Deputy chairman, employee representative
Hautmann	Markus	Schwandorf	Union regional manager	Employee representative
Eckstein	Joachim	Oldenburg	Full-time member of the SMP works council	Employee representative
Lechermann	Norbert	Neustadt an der Donau	Full-time member of the SMP works council	Employee representative (until 30 June 2018)
Sichler	Franz-Peter	Kelheim	IG BCE union secretary	Employee representative
Semler	Wolfgang	Neustadt an der Donau	Full-time member of the SMP works council	Employee representative (since 10 August 2018)
Baumann, Dr.	Klaus	Freiburg	Head of engineering SMP	Employee representative
Dhar	Ramesh	Noida, India	President WOCO Motherson Elastomer Ldt.	Shareholder representative
Sehgal	Vivek Chaand	New Delhi, India	Chairman SM Group	Chairman, shareholder representative
Sehgal	Laksh Vaaman	New Delhi, India	General manager MSSL	Shareholder representative
Tandon	Ashok	Gurgaon, India	Senior Vice President MSSL	Shareholder representative
Gauba	Gaya Nand	Noida, India	CFO SM Group	Shareholder representative
Malani	Kunal	Mumbai, India	Strategic Head SM Int. Ltd.	Shareholder representative

The members of the supervisory board receive fixed remuneration of EUR 10k per fiscal year. The chairman receives twice the amount and the deputy chairperson one and a half times the amount. Moreover, the members of the supervisory board receive an attendance fee of EUR 300 per meeting and a reimbursement of their expenses.

Total remuneration of the supervisory board amounts to EUR 88k in the fiscal year ended 31 March 2019 (prior year: EUR 91k). Some members of the supervisory board waived the remuneration due to them under the articles of incorporation and bylaws.

Members of management

The general managers of the Company are:

Last name	First name	Place of residence	Profession
Dhar	Bimal	Sharjah, UAE	Chairman of the management board
Heuser	Andreas	Bad-Soden-Salmünster	general manager for activities in Europe and America of the Samvardhana Motherson Group.

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

Auditor’s fees

The total fees charged by the auditor for the fiscal year amounted to EUR 298k for audit services.

Exemption from the preparation of consolidated financial statements

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

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

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

Subsequent events

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

Bötzingen, 21 June 2019

SMP Deutschland GmbH
The general managers

Bimal Dhar Andreas Heuser

SMP Deutschland GmbH, Bötzingen
Attachment to the notes (Statement of changes in fixed assets for the period from 1 April 2018 to 31 March 2019)

	Acquisition and production cost						Accumulated amortization, depreciation and write-downs					Net book values	
	1 Apr 2018 EUR	Additions EUR	Additions from tax field audit EUR	Disposals EUR	Reclassifications EUR	31 Mar 2019 EUR	1 Apr 2018 EUR	Additions EUR	Disposals EUR	Write-ups EUR	31 Mar 2019 EUR	31 Mar 2019 EUR	31 Mar 2018 EUR
I. Intangible assets													
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	27,664,009.08	760,966.51	0.00	1,830,693.09	500,742.87	27,095,025.37	21,407,566.08	2,148,907.38	1,830,456.09	0.00	21,726,017.37	5,369,008.00	6,256,443.00
II. Property, plant and equipment													
1. Land, land rights and buildings, including buildings on third-party land	92,559,019.20	8,388,299.35	636,385.66	172,011.30	13,204,037.43	114,615,730.34	33,734,745.58	3,700,388.44	170,366.30	445,677.21	36,819,090.51	77,796,639.83	58,824,273.62
2. Plant and machinery	224,958,649.75	9,457,602.49	125,187.50	16,547,096.44	20,317,845.77	238,312,189.07	159,295,649.75	16,192,826.76	16,393,706.44	0.00	159,094,770.07	79,217,419.00	65,663,000.00
3. Other equipment, furniture and fixtures	23,547,770.70	2,323,338.48	27,506.00	4,411,204.51	1,033,952.17	22,521,362.84	16,730,425.70	3,600,504.48	4,409,226.51	0.00	15,921,703.67	6,599,659.17	6,817,345.00
4. Prepayments and assets under construction	38,429,474.76	23,509,873.91	0.00	0.00	-35,056,578.24	26,882,770.43	0.00	0.00	0.00	0.00	0.00	26,882,770.43	38,429,474.76
	379,494,914.41	43,679,114.23	789,079.16	21,130,312.25	-500,742.87	402,332,052.68	209,760,821.03	23,493,719.68	20,973,299.25	445,677.21	211,835,564.25	190,496,488.43	169,734,093.38
III. Financial assets													
1. Shares in affiliates	11,091,366.53	0.00	0.00	0.00	0.00	11,091,366.53	145,436.58	0.00	0.00	0.00	145,436.58	10,945,929.95	10,945,929.95
2. Loans to affiliates	16,500,000.00	3,200,000.00	0.00	700,000.00	0.00	19,000,000.00	0.00	0.00	0.00	0.00	0.00	19,000,000.00	16,500,000.00
3. Equity investments	2,638,266.14	0.00	72,076.00	0.00	0.00	2,710,342.14	0.00	0.00	0.00	0.00	0.00	2,710,342.14	2,638,266.14
4. Other loans	3,264,978.24	573,766.83	0.00	8,880.41	0.00	3,829,864.66	0.00	0.00	0.00	0.00	0.00	3,829,864.66	3,264,978.24
	33,494,610.91	3,773,766.83	72,076.00	708,880.41	0.00	36,631,573.33	145,436.58	0.00	0.00	0.00	145,436.58	36,486,136.75	33,349,174.33
	440,653,534.40	48,213,847.57	861,155.16	23,669,885.75	0.00	466,058,651.38	231,313,823.69	25,642,627.06	22,803,755.34	445,677.21	233,707,018.20	232,351,633.18	209,339,710.71

SMP Deutschland GmbH, Bötzingen
Attachment to the notes (List of shareholdings as of 31 March 2019)

	Currency	Share %	Equity	Net income/loss	
SMP Logistik Service GmbH, Bötzingen	EUR k	100	566	11	[3]
Purpurin Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	EUR k	94	-18	2	[2]
Changchun Peguform Automotive Plastics Technology Co. Ltd., Changchun, China	CNY k	50.001	686,270	195,478	[1,2]
SMP Automotive Technology Management Services (Changchun) Co. Ltd., Changchun, China	CNY k	100	-3,435	-529	[1,2]
Foshan Peguform Automotive Plastic Technology Co. Ltd., Foshan, China	TCNY	50.001	21,234	4,203	[1,2]
SMP Automotive Solutions Slovakia s.r.o., Matuskovo, Slovakia	EUR k	100	-18,022	-207	[3]
Eissmann SMP Automotive Interieur Slovensko s.r.o. Holic, Slovakia	EUR k	49	10,560	-587	[2]
Shenyang SMP Automotive Component Co., Ltd. Shenyang, China[4]	CNY k	50.001	20,000	0	[1,2]
Tianjin SMP Automotive Component Co., Ltd. Tianjin, China[4]	TCNY	50.001	30,000	0	[1,2]

[1] The closing rate came to: EUR 1 = CNY 7.88550
[2] Balance sheet date 31 December 2018
[3] Balance sheet date 31 March 2019
[4] Indirect shareholding

Management report of SMP Deutschland GmbH, Bötzingen Fiscal year from 1 April 2018 to 31 March 2019

I. Company background

a. Business model of the Company

The core business of SMP Deutschland GmbH ("**SMP**" or the "**Company**") is processing plastics. SMP supplies plastic parts and entire system modules for vehicle interiors and exteriors worldwide. This includes developing, producing and selling bumper systems and plastic parts for the exteriors of vehicle models, vehicle cockpits, dashboards and vehicle interiors produced for the vehicle models of Europe's leading automotive manufacturers, also referred to as OEMs (**O**riginal **E**quipment **M**anufacturers). SMP's most important sales market is the German automotive sector. SMP is the market leader for bumper systems in Germany and belongs to the leading manufacturers in all other product areas.

Series production is preceded by product development as well as the development and sales of customer-specific tools for the OEMs (engineering services).

SMP's business operations remain unchanged and consist of the Bötzingen, Göttingen, Meerane, Neustadt on the Danube and Oldenburg plants together with the related module centers, the headquarters in Bötzingen and the Gifhorn engineering office.

The Company supplies its products exclusively to the automotive market as a TIER 1 (system) supplier. SMP's customers include almost all German premium manufacturers. As a result, 88.0% of revenue was generated in Germany (prior year: 93.2%). The share in revenue attributable to the other European countries came to 7.1% (prior year: 4.4%), while 4.9% (prior year: 2.4%) was attributable to countries outside Europe. Due to the high requirements of the automotive industry for delivery logistics with supplies synchronized to production (just-in-time) and also sorted in a modular sequence (just-in-sequence), the geographical proximity of SMP production plants to customers' production plants is essential. For this purpose, SMP has also installed individual module centers in close proximity to its customers as value-added branches of its plants.

b. Objectives and strategies

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

The Samvardhana Motherson Group is a globally renowned supplier of high-quality components, modules and systems, primarily for customers in the automotive sector. The Group, which is based in Noida (India), boasts a diversified portfolio of products and services including electrical distribution systems, rear-view mirrors, camera systems, front-end modules, cockpits, air conditioning systems, lights, cabs for commercial vehicles, plastics processing, elastomer processing, plastic injection molding molds, IT services and development services.

Since becoming part of the Samvardhana Motherson Group, SMP has been able to gain a large number of new orders that also required investment in new plants. While the new plants in Mexico and Hungary were commissioned in 2017/18, a plant at the Tuscaloosa (USA) location started series production in 2018/19. This represents the continuation of SMP's efforts to increase its international presence with production facilities.

c. Corporate governance

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

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

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

Compliance with ethical standards and principles is also a high priority with the Company's culture. The declarations made in 2011 by management and all of the Company's employees regarding compliance with ethical standards in business transactions still apply. The General Works Agreement Governing Rules of Conduct for Business Dealings with Third Parties ("Anti-Corruption Policy") also describes the principles of constructive collaboration with customers, suppliers and other business partners. The declaration is reiterated by management and new hires each year.

d. Research and development

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

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

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

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

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

To fully do justice to these future requirements, SMP employed 478 employees as of year-end (prior year: 465), who worked on advance development projects for future innovations and on product development projects on behalf of customers. Furthermore, around EUR 8.4m (prior year: EUR 7.9m) was spent on non-customer specific research and development work.

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

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

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

II. Report on economic position

a. General conditions

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

The economies of the industrialized countries grew overall by 2.2%, a slight slowdown compared to 2017. The eurozone in particular contributed to the lower growth rate. Increasing concerns regarding a no-deal Brexit, a WLTP-induced decline in industrial production in Germany, protests of the yellow vests in France and concerns regarding the solidity of national finances in Italy led to a significant decrease in consumer confidence and thus the growth rate of private consumption. At 1.0%, growth of industrial production in the eurozone also slowed down compared to 2017 (3.0%). Gross domestic product (GDP) of the monetary union therefore increased by just 1.8%, although the growth rates of both anchor economies, Germany and France, of 1.5% were below the average of the eurozone as a whole.

The US contributed positively to the economic growth of the industrialized countries. Despite trade disputes and political differences during the negotiations to pass the US budget with the resulting government shutdown, GDP increased by 2.9%, a higher rate than in 2017. While other economies lost momentum in the second half of 2018, GDP in the US increased again in the last quarters. However, the impetus from fiscal policy in the form of tax reductions has to be emphasized. This led to steadily high private consumption and a significant increase in corporate investments. The unemployment rate in the US decreased slightly to 3.9% until the end of 2018.

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

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

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

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

Unit sales of new vehicles in the new EU countries increased by 8% compared to 2017. The first half of the year especially contributed to this growth.

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

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

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

b. Significant factors in fiscal year 2018/2019

Besides further integration into the Samvardhana Motherson Group, fiscal year 2018/19 was affected by measures to increase efficiency in processes, by investments and winning new orders. The latter again led to high engineering inventories.

Human resources

The Company's human capital is one of its biggest competitive advantages. SMP Deutschland GmbH employed 4,610 (prior year: 4,698) highly-qualified people in all parts of the Company (including trainees) as of the balance sheet date (31 March 2019).

In order to maintain and build on this competitive advantage, the Company's HR policy will focus even more in the future on developing employees' skills, defining managers' leadership skills, implementing global HR standards, expanding HR marketing and continuing to build up the "employer brand". An expansion of the career portal on our website is currently in progress, on which the professional training and study courses will be presented and advertised. A photo shoot with all trainees and cooperative university students is planned for this purpose. Furthermore, a career path for experts was defined, which enables highly qualified experts to develop outside the classic management career path.

Training future specialists is an important success factor for practising the Company's philosophy of filling new or vacated positions internally. That is why SMP employed 184 trainees as of the balance sheet date (prior year: 200), covering a wide range of different training vocations. One important and growing factor in this respect is the collaboration with the dual-track university in order to ensure the supply of highly qualified junior staff.

In this context, our internal department-specific training activities (trainee programs) are being enhanced and expanded. The activities regarding the company-internal, department-specific training activities, the "trainee programs", still have high priority. Hence, for instance, the global trainees no. 5 and no. 6 will start in fiscal year 2019/2020 in the global trainee program, which was introduced in calendar year 2018. The demand for and interest of the departments in these skilled workers, perfectly trained for the organization, is huge and feedback is constantly positive.

Pay transparency

Many divisions in the Company are technical, so that many management positions in the purely technical departments such as pre-development, product development, tool development and production areas are filled with a very high share of men who have completed a corresponding technical training/degree. The share of women in management positions is very low in these areas. The number of female applicants for these areas is also very low in job advertisements. The positions in the administrative areas such as human resources, finance and controlling are explicitly promoted for women in order to create a balance.

The collective agreement and the company-related collective agreement between the Employers' Association for the Chemical Industry and the Mining, Chemical and Energy trade union form the basis for determining remuneration for employees covered by the collective agreement. There are descriptions of the relevant grading for the activities exercised in the Federal Remuneration Collective Labor Agreement. The level of pay per pay scale is described in the remuneration tables. For employees not covered by the collective agreement, the level of pay is measured according to the activities exercised. Equal pay between men and women is ensured as part of an annual analysis. Here, the individual pay is compared with the average pay for the same function. The pay of the employees displaying a large gap to the average is reviewed and assessed individually. Employees with a low gap to the average are only reviewed individually if it is not expected that there will be overproportional pay adjustments in the following years due to seniority of the employee.

Purchasing

The purchases department has been developing more and more into a key function within the Company. Integration in the Samvardhana Motherson Group presents numerous opportunities to reduce costs. In this way, the “Vertical Integration” project was followed up constantly with the aim of increasing the value added within the Group. Furthermore, new ways for low-cost procurement with fixed quality standards are tapped into via our group companies in India.

Production

The planned utilization of production capacity at the plants was not achieved due to lower call-off volumes of the Audi A4, A6, A8 and Q2 models and delays in the relaunch of new projects. The increase in idle capacity at the plants is related to ongoing optimization and improvement of the production process as well as a significant increase in engineering services in budget year 2019/20.

Capital expenditure

SMP invested a total of EUR 44.4m in expansions and replacements in fiscal year 2018/19 (prior year: EUR 41.0m). Investments were made in a new advance series center (EUR 9.2m), which was completed this year. The investment sum for this came to EUR 11.5m in fiscal year 2018/2019. In addition, EUR 10.6m was invested in production for the new Porsche J1 and VW NEO products in Meerane.

IT

In the field of IT we are making use of the many different opportunities for working with the group entity MIND. This allows information technologies and services to be provided within the Group and cost-effectively. We also work with our outsourcing partner T-Systems.

Environment

Here at SMP, we feel a deep sense of responsibility toward the environment. Compliance with SMP's environmental standards is a high priority throughout our organization. We attach great value to using resources sparingly, reducing our impact on the environment, and the health and safety of all of our employees while they are at work. This is not just an economic matter, but to an even greater extent an obligation toward society. We are aided in this by numerous investments in protecting the environment and occupational health and safety, which ensure that SMP meets its customers' demands in terms of reliability and quality. SMP's environmental management system has been certified and validated in accordance with DIN EN ISO 14001 and EC Regulation 1221/2009 (EMAS III). The occupational health and safety management system has been certified in accordance with OHSAS 18001.

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

Equity investments

The Company holds the following equity investments as of the balance sheet date which are virtually unchanged on the prior year:

- 100% in SMP Logistik Service GmbH (SMP Logistik), Bötzingen
- 100% in SMP Automotive Technology Management Services Co. Ltd. (SMP MSC), Changchun, China
- 50% plus 1 vote in Changchun Peguform Automotive Plastics Technology Co. Ltd. (CPAT), Changchun, China
- 94.0% in Purpurin Grundstücksverwaltungsgesellschaft mbH & Co. KG (Purpurin), Mainz
- 100% in SMP Automotive Solutions Slovakia s.r.o. (SMP Slovakia), Matuskovo, Slovakia
- 49% in Eissmann Interieur Slovensko s.r.o. (Eissmann), Holic, Slovakia
- 50% plus 1 vote in Foshan Peguform Automotive Plastic Technology Co. Ltd. (FPAT), Foshan, China
- 50% plus 1 vote in Shenyang SMP Automotive Component Co., Ltd. (SPAT), Shenyang, China
- 50% plus 1 vote in Tianjing SMP Automotive Component Co., Ltd. (TPAT), Tianjing, China

The equity investments developed as follows:

	Revenue (EUR m)		Net income/loss for the year (EUR m)		Employees	
	2018/19 [1]	Prior year [2]	2018/19 [1]	Prior year [2]	2018/19 [1]	Prior year [2]
SMP Logistik [5]	5.0	5.6	0.0	0.0	129	85
SMP MSC [5,6]	0.0	0.0	0.0	-0.3	0	0
CPAT [5,6]	236.0	216.5	33.2	37.1	1,266	1,113
Purpurin [3,4]	0.2[4]	0.2[3]	0.0[4]	0.0[3]	0[4]	0[3]
SMP Slovakia [4,5]	22.9	23.3	0.0	-1.1	113	137
Eissmann[5]	43.0	45.9	-0.4	0.6	748	568
FPAT [4,5,6,7]	22.6	8.7	0.8	0.0	269	175
SPAT [4,5,6,7]	0.0	0.0	-1.0	0.0	21	5
TPAT [4,5,6,7]	2.6	0.0	-1.7	0.0	61	0

1 Period from 1 April 2018 to 31 March 2019

2 Period from 1 April 2017 to 31 March 2018

3 Period from 1 January 2017 to 31 December 2017

4 Period from 1 January 2018 to 31 December 2018

5 IFRS reporting

6 The average exchange rate of CNY 7.76400 = EUR 1 was used for the translation. (prior year: average exchange rate of CNY 7.74370 = EUR 1)

7 This is an indirect equity investment.

c. Position of the Company and development of its business

Financial performance
Revenue amounted to EUR 1,217.6m in fiscal year 2018/19 (prior year: EUR 1,287.6m), which fell short of management's expectations.

Of the **series revenue** of EUR 903,5m (prior year: EUR 955.7m), around EUR 387.4m (prior year: EUR 442.5m) related to bumpers and front-end modules (exterior) and around EUR 516.1m (prior year: EUR 513.2m) to interior products such as cockpits, dashboards and door trim panels (interior). The budget target for series revenue was therefore not reached, falling short by around EUR 68m, a 7.0% decrease on the prior year.

Engineering services of EUR 261.7m (prior year: EUR 290.5m) were invoiced. The budget target for engineering revenue was thus not achieved.

Other revenue amounted to EUR 52.5m (prior year: EUR 41.4m). This primarily contains services to SMP group companies.

Other operating income totaled EUR 58.9m (prior year: EUR 42.0m) and mainly includes income from the reversal of provisions as well as income from currency translation and from the reversal of bad debt allowances.

The **ratio of cost of materials to total operating performance** came to 67.4% and is thus 0.5 percentage points higher than in the prior year. This is calculated as the cost of materials as a percentage of total operating performance (revenue +/- changes in inventories + own work capitalized). The increase mainly results from the higher complexity of the modules that have to be delivered to the OEMs.

Personnel expenses increased in both absolute and relative terms on the prior year. They came to EUR 283.2m (prior year: EUR 270.1m) and were therefore EUR 13.1m higher than the prior-year figure. In relation to total operating performance, the ratio of personnel expenses (personnel expenses ÷ total operating performance) increased by 2.1 percentage points to 22.9% (prior year: 20.8%). Average expenses per employee stood at EUR 59.8k (prior year: EUR 56.1k).

Amortization of intangible assets and **depreciation** of property, plant and equipment amounted to EUR 25.6m (prior year: EUR 26.1m).

Total **other operating expenses** amounted to EUR 88.6m (prior year: EUR 104.1m), and were thus lower than in the prior year. In relation to total operating performance, this corresponds to a decrease by 0.8 percentage points. The main expense items were maintenance and technical consultation expenses amounting to EUR 25.8m (prior year: EUR 28.2m), leasing and rental expenses amounting to EUR 15.0m (prior year: EUR 14.6m), third-party IT services amounting to EUR 9.0m (prior year: EUR 16.8m) and other administrative expenses amounting to EUR 11.4m (prior year: EUR 18.0m) as well as selling expenses of EUR 11.6m (prior year: EUR 12.3m).

EBIT (Earnings Before Interest and Taxes) came to EUR 65.0m (prior year: EUR 72.8m), which represented 5.3% of total operating performance (prior year: 5.6%).

EBIT according to management reporting used for internal controlling totaled EUR 75.4m (prior year: EUR 81.5m), which corresponds to an EBIT ratio of 6.3% (prior year: 6.4%). The prior-year forecast for the EBIT ratio of 7.1% was therefore not reached.

The **financial result** came to EUR 3.0m on the balance sheet date (prior year: EUR 2.6m). This improvement resulted from the EUR 0.3m increase in interest income as well as the slight increase in dividend income of EUR 13.1m (prior year: EUR 12.9m) from the subsidiary Changchun Peguform Automotive Plastics Technology Co. Ltd.

Financial position

Cash flow from operating activities amounted to EUR 5.0m at the end of the year (prior year: EUR 95.8m). Cash flow from investing activities came to EUR -48.4m (prior year: EUR -39.9m). Cash flow from financing activities amounted to EUR 35.2m (prior year: EUR -61.7m). This led to a net change in cash and cash equivalents of EUR -8.2m (prior year: EUR -5.8m).

The refinancing of the SMP Group and thus also of SMP Deutschland GmbH changed significantly due to the bonds issued in 2014, 2015, 2016 and 2017 by the Dutch holding company Samvardhana Motherson Automotive Systems Group BV (SMRP BV). Land charges and collateral assignment of fixed and current assets were granted as collateral for the bonds issued by SMRP BV.

As of the balance sheet date, there is only one external financial liability of EUR 2,030k (prior year: EUR 3,106k) from a hire-purchase contract with Deutsche Leasing for movable property in a production hall at the Bötzingen location.

A loan amounting to EUR 19.0m (prior year: EUR 16.5m) was granted to SMP Automotive Solutions Slovakia s.r.o. as of the balance sheet date.

The comfort letter issued to SMP Slovakia and SMP MSC to ensure its solvency was extended by another 24 months in April 2018.

As in the prior years, the Dutch SMRP BV continues to perform the group financing function for the legal entities and therefore also for SMP Deutschland GmbH.

A long-term shareholder loan from SMRP BV with a volume of EUR 220.0m is available for the Company, and EUR 163.0m of this amount had been utilized as of the balance sheet date (prior year: EUR 144.5m).

As in the prior year, there was a short-term loan amounting to EUR 5.0m (prior year: EUR 5.0m) granted by SMR Automotive Modules Korea Ltd.

Receivables amounting to EUR 81.9m (prior year: EUR 86.1m) had been sold as of the balance sheet date based on factoring agreements concluded in previous years.

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

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

SMP was fully solvent throughout the past fiscal year.

Assets and liabilities

Total assets were up EUR 32.6m year-on-year, at EUR 695.6m (prior year: EUR 663.0m).

Non-current assets amounted to EUR 232.4m on the balance sheet date (prior year: EUR 209.3m).

Current assets amounted to EUR 462.3m on the balance sheet date (prior year: EUR 453.1m), which is an increase of EUR 9.2m. Medium to long-term current assets amounted to EUR 71.2m (prior year: EUR 60.4m) for tooling cost reimbursement claims from engineering orders.

Short-term current assets fell by EUR 1.6m in comparison to the prior year, from EUR 392.7m to EUR 391.1m.

Cash and cash equivalents came to EUR 17.3m as of the balance sheet date and were thus EUR 8.1m lower than the prior-year balance sheet date (see also the disclosures on the financial position).

Other provisions decreased by EUR 13.2m to EUR 146.7m (prior year: EUR 159.9m). This decrease mainly consisted of provisions amounting to EUR 11.3m for the sales division (prior year: increase of EUR 9.7m).

Provisions for pensions and similar obligations amounted to EUR 2.4m on the balance sheet date (prior year: EUR 9.2m).

In terms of the ROCE performance indicator determined on the basis of management reporting, the return on capital employed decreased from 31.3% in the prior year to 25.3% due to lower earnings before interest and taxes (EBIT) in line with the increase in capital employed, contrary to the prior-year forecast.

Overall statement regarding the progress of business

The progress of SMP's business in 2018/19 was satisfying. The decrease in revenue, resulting from the lower calls from customers in Germany, was compensated for by cost savings and reversals of provisions to a large extent. At EUR 261.7m, the development business recorded a slight decrease in revenue at a still high level compared to the prior year (EUR 290.5m). This led to EBIT of EUR 65.0m in fiscal year 2018/2019 (prior year: EUR 72.8m) or 5.3% of total operating performance (prior year: 5.6%) and thus underperformed the prior-year figure by 0.3 percentage points.

III. Forecast, opportunities and risks

a. Forecast

Forecast regarding the economy and automotive market

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

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

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

In the US, the VDA expects that the light vehicles market will maintain the high level of the past years. China saw interrupted growth in 2018. For 2019, the VDA again anticipates slight growth in this automotive hotspot (up 2%). Europe is expected to maintain its currently very high level.

Company-specific forecast

The new order intake, which was once again very pleasing, and the upcoming launch of high-volume interior and exterior assemblies are the basis for a positive forecast for the following years. In light of this, SMP Deutschland GmbH anticipates that it will be possible to offset any short-term decreases in volume in individual model programs. The current 2019 forecasts issued by our main customers and the launch of new orders lead us to expect overall high utilization of plant capacity. As in the prior years, SMP Deutschland GmbH stands to benefit from its extensive product offering in the premium segment, including for Audi, BMW, Daimler and Porsche. With their solid growth in sales in 2018, these manufacturers are still considered the drivers of growth in the European automotive market.

Belonging to the Samvardhana Motherson Group will continue to have a highly positive effect on the development of our orders, leading to new market access to OEMs, but also the possibility of low-cost procurement of services and products within the Group.

Based on current forecast made by the OEMs, series production will stabilize slightly below the prior-year level in fiscal year 2019/20. In this regard, we see a great opportunity to again optimize internal procedures and processes and further improve our results. In our planning for 2019/20, we expect an EBIT margin of 5.6%.

We plan to reduce the working capital in line with the decrease of the EBIT margin, so that our ROCE indicator will remain on the prior-year level. We expect a significant increase in engineering revenue to EUR 330.2m in 2019/20.

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

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

b. Risk report

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

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

Taking calculable risks is an integral part of business as part of our risk strategy. Risks that jeopardize the Company’s ability to continue as a going concern, on the other hand, need to be avoided.

Risk management
SMP’s risk management system is integrated into all of its planning, management and monitoring processes. The Company’s presence throughout Germany and its decentralized management structure in the individual plants make systematic risk management a necessity. Various policies specify the corresponding principles, processes and responsibilities. We take new findings into account when developing our policies and systems.

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

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

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

Strategic risks
An assessment of the Company’s strategic risks comes to the same result. The strategic initiatives for advance product development or to improve the quality of products and processes are reviewed regularly, and the resulting findings are discussed by SMP’s management with the aim of enhancing the Company’s competitive advantages. One important source of information is regular participation in the relevant associations (VDA/VDI), attending relevant trade fairs and events, and systematically analyzing discussions with suppliers.

The barriers to market entry in the automotive supplier sector are very high on account of the long-standing relationships between suppliers and automotive manufacturers as well as the quality requirements. That is why strategic changes become apparent in the market at an early stage.

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

Market risks

On account of its product structure and customer base, SMP is almost entirely dependent on the development of the automotive industry. The economic development of this sector exerts a decisive influence over the Company's current and future revenue as well as its financial capacity. SMP's reliance on a small number of important customers constitutes a risk. The focus of the sales activities on new orders from automotive manufacturers that have only made minor contributions to SMP's revenue in recent years is aimed at balancing out and expanding the customer portfolio and is the basis for future growth. Since the acquisition of SMP by the Samvardhana Motherson Group, significant progress has been made with regard to the revenue mix.

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

Another risk is the typical volume of individual orders in SMP's three most important product segments. For orders of more than EUR 200m in annual revenue per order, the loss of just one important follow-up order can mean significant restructuring for an affected plant.

SMP addresses the general risk of losing customers by continuously reviewing the tailored services it offers, enhancing its capacity for innovation in the long term, constantly refining its development and production technologies, and permanently improving relationships with customers in connection with design and development projects.

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

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

There is also always a latent risk of declining call-offs from the Volkswagen Group, BMW and Daimler as a result of the accusations of manipulation relating to the emissions figures for diesel vehicles. We also see this latent risk with respect to

Porsche on account of new exhaust testing cycles/processes. There already was a noticeable decline in revenue with our customers as a result of this in fiscal year 2018/19, a sharp drop in the unit sales figures for the vehicle models that we supply (even a temporary one) could have a noticeable impact on our planned targets. We nevertheless assume that this risk with respect to our planning should be limited.

SMP’s business in Germany also depends on the trends in the US and the BRIC countries on account of the high volume of vehicle exports from Europe to those regions. The resurgence of protectionism, which is currently becoming apparent in the US with the announcement of increased import tariffs on passenger cars from Europe as well as the UK’s exit from the EU, puts jobs at risk in the German automotive industry and therefore also at SMP. But we also assume in this case that production volumes will not fall significantly in the short to medium term, and that the impact on our planning will be limited.

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

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

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

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

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

Location risks

There were no changes with respect to the location of the Company's production facilities in the past fiscal year. In Germany, SMP manufactures at five locations (SMP Deutschland GmbH) and one location in Schierling (SMP Automotive Exterior GmbH). The establishment of the new "sister plant" was necessary due to the capacity bottlenecks in Neustadt resulting from additional variants of the existing vehicle models and the new projects of various OEMs. The close logistics links with customers necessitate production in Germany in close proximity to the customer's destination plant. The close links with customers and relatively capital-intensive production equipment, for which the procurement lead times are generally very long, would lead to considerable risks if a plant were to experience outage due to force majeure. This risk is exacerbated by the just-in-time and just-in-sequence delivery arrangements, which limit response times in the event of disruptions to a few hours at most. In order to minimize this risk, "alarm chains" have been installed that notify specialists for the rectification of technical problems as well as the customers affected in the event of disruptions. This results in very short response times when necessary. In emergencies, there is an alternative production system already in place to prevent interruptions to customers' production activities.

None of the SMP plants is situated in an area that is subject to an above-average risk of natural disasters. Regular checks at all production locations of the preventive safety facilities that have been installed ensure a high degree of reliability for production. Costly structural fire prevention measures have been implemented at all locations. Reserve inventories are also maintained at the plants in accordance with the Company's agreements with customers.

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

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

<u>Personnel risks</u>

By continuing the needs-based focus of training with additional focus on the higher-qualifying combination of studies and training at the dual-track university, the risk of bottlenecks (the risk that it will not be possible to fill vacant positions at the Company as planned) is addressed for the long term using internal resources. This is supported by the global trainee program as described above. A three-month stay at one of the foreign plants is planned in both programs. This is intended to raise employee awareness of and willingness to embark on a long-term international assignment. It also ensures that the know-how and the processes can be transferred to the greenfields.

A risk factor is the support of other greenfield locations. There are insufficient specialist human resources available, as a result of which secondments and short-term deployments to these new plants cannot be executed without being noticed.

The aim for 2019/2020 is to use targeted measures so that the Company is perceived as an employer of choice. For this purpose, we applied for certification from the “top employer institute” in the last fiscal year. In a first step, SMP was audited in the areas relevant for the certificate. We received a precise analysis of strengths and weaknesses due to this audit, which keeps up with international standards. Weaknesses are to be dealt with in a targeted manner with the aid of the feedback and by determining a clear roadmap.

The aim is to counteract the turnover rate of 4.9% (prior year: 5.0%) and further reduce the employee exit risk (risk of losing employees who the Company would like to retain). Apart from these campaigns, which will focus on the Company’s external presentation, various internal activities were performed to further increase the Company’s attractiveness and therefore employee satisfaction. For instance, mobile working was introduced as of 1 January 2018, which enables employees to work a considerable share of their working hours in the working location of their choice. This is intended to cater to the need for greater self-determination in today’s day and age and thus to generate positive effects on work satisfaction and health In the meantime, this offer has also established in all units and is greatly appreciated by the employees (where possible).

Statutory occupational health and safety requirements are complied with. Days absent due to sickness are recorded, and employees who are sick for more than 42 days in a given calendar year are offered reintegration services. The comprehensive risk assessment required by Sec. 5 ArbSchG [“Arbeitsschutzgesetz”: German Occupational Health and Safety Act] is also carried out. Moderated analysis workshops with representatives from predetermined job types took place in 2016 in order to record mental stress. The results were evaluated and summarized, and measures were derived and prioritized in 2017. The whole process was documented. Overall, 16 work packages were defined and allocated. Their implementation is monitored by the ASA. Measures that can be implemented in little time have already been implemented. Extensive measures that are implemented in an extended or ongoing process are underway. Effectiveness testing of the measures will follow. Physical and mental stress will be recorded regularly, reduced and adequate measures will be derived and evaluated in the future. In addition, risk assessments were performed on the matters of travel and maternity for monitor-based workstations. The risk assessments for travel mainly focuses on travel to countries with climatic conditions and infection hazards such as India, China, Brazil and Mexico. The recommendations derived from the risk assessment, which are made available to the workforce via memos on the intranet, the HR department responsible or the company doctors, comprise matters on country-specific security, infection hazards, mental stress, climatic conditions and chemical/physical hazards. Information with regard to the counseling services at the company doctors for these matters is distributed to the workforce on an annual basis. The risk assessment for maternity and for nursing mothers will be performed by the respective supervisor starting in April 2019.

The Company addresses the risk to health by continuing to reinforce its company health management (CHM) measures. A number of individual campaigns took place in fiscal year 2018/19 dealing with musculoskeletal, cardiovascular and mental strain as well as potential individual responses. As in the prior year, these initiatives were summarized in a CHM calendar and distributed to all employees to instill awareness of the issues and of the Company's and individual's responsibility in the long term. Furthermore, a company medical officer, physical therapist and a contact person for psychosocial support are available to employees. Employees can also make use of the nationwide "Hansefit" offering (association of swimming pools, gyms and sports facilities) at low rates. 533 employees are currently registered as members of Hansefit (as of March 2019).

Family life/work balance gained in importance in fiscal year 2018/19. As a result, holiday care was offered to employees with children in elementary school. They had the opportunity to put their children in an educational full-day group for three weeks during the summer holidays.

Risks arise from demographic change, recruiting and retaining professionals and executives and the resulting wage and salary increases. Due to the high volume of hiring, there is very high pressure with regard to good onboarding, induction and training of these employees.

We consider the likelihood of the personnel risks described eventuating to be moderate. If it is not possible to recruit a sufficient number of employees with the requisite expertise, the risk will increase, in particular with regard to the new foreign plants. 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.

<u>IT risks</u>

As a global tier 1 automotive supplier, SMP is integrated into automotive manufacturers' just-in-time/just-in-sequence supply chains. IT systems therefore represent a crucial component of the internal value added and logistics process. This requires a highly integrated system landscape with IT support at almost every workstation, both on the shop floor and in office areas.

Outages and disruptions in the IT environment (such as system outages, loss of data, security loopholes etc.) usually have a direct impact on the Company's ability to make deliveries to customers.

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

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

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

An agreement dated 4 December 2014 transferred IT operations management from T-Systems to MothersonSumi Infotekk and Design GmbH (MIND). T-Systems is still responsible for hosting the SAP R/3 server landscape (accounting and logistics as well as human resources) as well as other EDI applications.

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

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

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

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

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

Financial risks

The Company is exposed to a range of financial risks. These currently mainly comprise default risks in connection with receivables from customers, performance by suppliers and risks relating to interest and exchange rate fluctuations. In addition, future engineering projects have to be financed over the project term to a significant extent. The risks arising from the assumption of the financing function by issuing loans and comfort letters to group companies are still considered to be very low.

Receivable default risks are all but eliminated by means of the preventive assessment of the creditworthiness of non-OEM customers as well as the ongoing monitoring of compliance with agreed payment deadlines for all customers. Despite the diesel issue at Volkswagen AG, we still consider the default risk of the receivables from the Volkswagen Group to be very low. Monitoring and creditworthiness assessments are also carried out regularly with respect to suppliers. Replacement suppliers are built up if critical trends are identified.

The bank credit lines available to the Company as of the balance sheet date have already been mentioned in the section entitled “Financial position”.

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

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

<u>Liability risks</u>
SMP's products can be classified as non-critical and not relevant for the purposes of vehicle safety. The installation of airbag systems and steering columns that are performed upon customer order are an exception. These airbag systems and steering columns are directly specified by the customer at the respective SMP supplier so that SMP's risk is limited to the proper installation and careful documentation.

The remaining risks associated with product and manufacturer liability claims are insured by liability insurance from XL Insurance Company SE. The risk of costs being passed on in the event of vehicle recalls by customers due to defects in supplied parts is insured up to an amount of EUR 10.0m. Another EUR 15.0m is available from an excess liability insurance policy with QBE Insurance Europe (Limited) within the Samvardhana Motherson Group. SMP's procedures and processes are optimized by means of effective measures aimed at reinforcing process reliability and quality management. This, and to no small extent, the quality management system that has been certified in accordance with ISO/TS 16949:2009, keep liability risks to a minimum thanks to reliable procedures.

Liability risks as an employee, for example for inadequate safety precautions or accidents at the workplace, are limited by providing corresponding instruction to all employees on safe conduct in the workplace, as well as by putting the organizational preconditions required by law into place. Sufficient consideration is given to accident prevention in particular by the prioritization of workplace safety throughout SMP through the work of the GUSi officers (GUSi = **G**esundheitsförderung, **U**mweltschutz und **S**icherheit (health promotion, environmental protection and safety)), i.e., tours, information and instructions on how to avoid, assess and report accidents with efforts to ensure countermeasures in all units. The occupational health and safety management system is certified in accordance with OHSAS 18001:2007.

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

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

c. Opportunity report

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

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

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

Further integration of the intragroup CAD service providers and tool makers will lead to a fast improvement in the projects (both from a financial and time perspective). The well-equipped machinery pool at the intragroup tool maker in India will be a significant addition to the supplier list for tools and other equipment.

Reliable supplies and pricing advantages present additional opportunities for enhancing the value added for existing products. The bundling of various different materials and purchased parts offer enormous potential for SMP and the other companies of the Samvardhana Motherson Group to reduce costs in the procurement sector. The exploitation of this potential has already begun, and is set to pick up even more in the years ahead.

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

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

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

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

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

d. Overall opportunity and risk profile

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

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

Particular opportunities are seen in SMP's vertical integration in the Samvardhana Motherson Group, the strong order backlog and customer portfolio, and the owner's excellent relationships with customers.

We consider the opportunities and risks described to be balanced with respect to the chances of achieving our projected targets for revenue and profit.

IV. Advancement of women

The German Act on the Equal Participation of Women and Men in Leadership Positions within the Private Economy and Public Service also requires SMP Deutschland GmbH to define targets for the proportion of women in the supervisory board, in management as well as the first two management levels below company management. Deadlines must also be set for achieving these targets. The implementation of this statutory regulation was discussed within the supervisory board and management. No targets or deadlines have been set thus far.

Bötzingen, 21 June 2019

SMP Deutschland GmbH

The general managers

Bimal Dhar Andreas Heuser

Translation from the German language

Engagement Terms, Liability and Conditions of Use

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

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

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

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

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

[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.