Translation from the German language

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 2020, and the income statement for the fiscal year from 1 April 2019 to 31 March 2020, and notes to the financial statements, including the accounting policies presented therein. In addition, we have audited the management report of SMP Deutschland GmbH for the fiscal year from 1 April 2019 to 31 March 2020. 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 of 31 March 2020 and of its financial performance for the fiscal year from 1 April 2019 to 31 March 2020 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 ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Translation from the German language

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.

Translation from the German language

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., 15 June 2020

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 2020

Assets	EUR	EUR	EUR	31 Mar 2019 EUR k
A. Fixed assets				
I. Intangible assets				
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets		5,433,585.00		5,369
II. Property, plant and equipment				
1. Land, land rights and buildings, including buildings on third-party land	80,327,980.32			77,797
2. Plant and machinery	96,354,805.00			79,217
3. Other equipment, furniture and fixtures	7,089,773.00			6,600
4. Prepayments and assets under construction	14,899,613.96			26,883
		198,672,172.28		190,497
III. Financial assets				
1. Shares in affiliates	10,945,929.95			10,946
2. Loans to affiliates	0.00			19,000
3. Equity investments	2,710,342.14			2,710
4. Other loans	944,312.13			3,830
		14,600,584.22		36,486
			218,706,341.50	232,352
B. Current assets				
I. Inventories				
1. Raw materials, consumables and supplies	37,013,110.33			36,814
2. Work in process	148,289,818.37			250,196
3. Finished goods and merchandise	4,027,364.31			3,352
4. Prepayments	1,001,012.72			7,148
5. Prepayments received on account of orders	-4,196,613.64			-13,179
		186,134,692.09		284,331
II. Receivables and other assets				
1. Trade receivables	111,908,525.68			119,212
2. Receivables from affiliates	19,774,745.10			33,630
3. Receivables from other investees and investors	273,069.98			199
4. Other assets	8,297,290.53			7,689
		140,253,631.29		160,730
III. Cash on hand, bank balances and checks		60,721,346.03		17,282
			387,109,669.41	462,343
C. Prepaid expenses			1,102,169.10	881
			606,918,180.01	695,576

Equity and liabilities	EUR	EUR	31 Mar 2019 EUR k
A. Equity			
I. Subscribed capital	25,000.00		25
II. Capital reserves	28,326,479.58		28,327
III. Net retained profit/profit carryforward	45,821,168.35		45,821
		74,172,647.93	74,173
B. Provisions			
1. Provisions for pensions and similar obligations	2,460,663.80		2,369
2. Other provisions	143,694,739.71		146,682
		146,155,403.51	149,051
C. Liabilities			
1. Liabilities to banks	894,013.00		2,030
2. Trade payables	156,936,472.17		193,775
3. Liabilities to affiliates	195,957,573.80		257,217
4. Liabilities to other investees and investors	6,387,288.03		5,109
5. Other liabilities	21,414,781.57		8,021
		381,590,128.57	466,152
D. Deferred income		5,000,000.00	6,200
		606,918,180.01	695,576
		606,918,180.01	695,576

SMP Deutschland GmbH, Bötzingen
Income statement for the period from 1 April 2019 to 31 March 2020

				2018/2019
	EUR	EUR	EUR	EUR k
1. Revenue		1,237,969,496.05		1,217,574
2. Decrease (prior year: increase) in inventories of finished goods and work in process		-101,229,885.18		20,435
3. Other own work capitalized		137,966.85		103
4. Other operating income		36,753,959.53		58,920
			1,173,631,537.25	1,297,032
5. Cost of materials				
a) Cost of raw materials, consumables and supplies and of purchased merchandise	691,751,684.83			782,114
b) Cost of purchased services	53,363,916.12			52,412
		745,115,600.95		834,526
6. Personnel expenses				
a) Wages and salaries	230,511,952.13			236,589
b) Social security,pension and other benefit costs	43,574,741.61			46,646
		274,086,693.74		283,235
7. Amortization of intangible assets and depreciation of property, plant and equipment		28,220,176.70		25,643
8. Other operating expenses		80,844,326.12		88,606
			1,128,266,797.51	1,232,010
			45,364,739.74	65,022
9. Income from equity investments		7,688,189.78		13,124
10. Income from other securities and loans classified as fixed financial assets		937,377.33		863
11. Other interest and similar income		850,108.44		749
12. Impairment of financial assets		20,000,000.00		0
13. Interest and similar expenses		12,024,166.92		11,756
			-22,548,491.37	2,980
14. Income taxes			896,282.76	0
15. Earnings after taxes			21,919,965.61	68,002
16. Other taxes			365,942.64	2,046
17. Expenses from profit transfer			21,554,022.97	65,956
18. Net income for the year			0.00	0

Translation from the German language

Notes to the financial statements of SMP Deutschland GmbH, Bötzingen, for the fiscal year from 1 April 2019 to 31 March 2020

General

As of 31 March 2020, 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 annual 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.

Accounting policies

These annual financial statements were mainly prepared in accordance with the following uniform accounting policies which are generally unchanged on the prior year.

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. Impairment losses to write items down to the lower of cost or market are recognized in cases where impairment is expected to be permanent.

Property, plant and equipment are depreciated over 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.

Impairment is calculated using the straight-line method. 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 are recognized in a collective item and depreciated by 20% p.a. over 5 years.

Financial assets are valued at acquisition cost including incidental acquisition costs; impairment losses to the lower of cost or market are recognized 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 or net realizable value if lower.

The weighted average cost method or the lower of cost or market as of the reporting 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 acquisition or 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 they 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 2.6% (prior year: between 0.0% and 2.0%).

Cash and cash equivalents are valued at their nominal value.

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

Equity is recognized at nominal value.

Pension provisions were calculated using the 2018 G mortality tables issued by Prof. Dr. Klaus Heubeck and valued in accordance with actuarial principles (projected unit credit method) based on an average interest rate of the last 10 years of 2.60% (prior year: 3.08%) 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 2.60%) led to a difference of EUR 226k compared with the valuation base pursuant to Sec. 253 (6) HGB (7-year average of 1.88%).

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 issued by Prof. Dr. Klaus Heubeck and the projected unit credit method. An average interest rate of the last 7 years of 1.88% (prior year: 2.24%) 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 issued by Prof. Dr. Klaus Heubeck and valued in accordance with actuarial principles (projected unit credit method) based on an interest rate of the last 7 years of 1.88% (prior year: 2.24%) 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.

Payments received prior to the reporting date are recognized as ***deferred income*** if they represent earnings for a certain time after this date.

Currency translation

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

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 2019	31 Mar 2020
Trade receivables	119,212	111,909
Receivables from affiliates	33,630	19,775
Receivables from other investees and investors	199	273
Other assets	7,689	8,297
Total receivables and other assets	160,730	140,254

Of ***trade receivables***, EUR 100,011k relates to tooling cost reimbursement claims (prior year: EUR 90,736k), EUR 73,799k of which is due in more than one year (prior year: EUR 71,156k). All other trade receivables and other assets are due within one year.

Receivables from affiliates contain trade receivables of EUR 19,775k (prior year: EUR 33,630k). 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.

As in the prior year, ***other assets*** have residual terms of less than one year.

Other provisions

Other provisions primarily consist of provisions for personnel-related matters of EUR 33,295k (prior year: EUR 36,758k), for outstanding engineering costs of EUR 29,705k (prior year: EUR 30,750k), for potential losses from pending transactions of EUR 332k (prior year: EUR 1,074k), for outstanding invoices of EUR 14,172k (prior year: EUR 14,554k) and provisions for sales-related matters of EUR 61,727k (prior year: EUR 58,837k).

Liabilities

The residual terms of the liabilities break down as follows:

	Statement of liabilities as of 31 March 2020 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	894	894	0	0
	(prior year)	2,030	1,136	894	0
2.	Trade payables	156,936	156,936	0	0
	(prior year)	193,775	193,429	346	0
3.	Liabilities to affiliates	195,958	35,858	160,100	0
	(prior year)	257,217	77,917	179,300	0
	thereof to shareholders	43,421	21,821	21,600	0
	(prior year)	82,591	66,291	16,300	0
4.	Liabilities to other investees and investors	6,387	6,387	0	0
	(prior year)	5,109	5,109	0	0
5.	Other liabilities	21,415	21,415	0	0
	(prior year)	8,021	8,021	0	0
	Total liabilities	381,590	221,490	160,100	0
	(prior year)	466,152	285,612	180,540	0

Liabilities to affiliates include loan liabilities towards SMRP B.V. of EUR 138,500k (prior year: EUR 163,000k), SMP GmbH of EUR 21,600k (prior year: EUR 16,300k), SMR Korea Ltd. of EUR 5,000k (prior year: EUR 5,000k), cash pooling liabilities of EUR 529k (prior year: EUR 480k), trade payables of EUR 8,736k (prior year: EUR 6,475k) as well as liabilities from the profit transfer to SMP GmbH of EUR 21,554k (prior year: EUR 65,956k) and other liabilities of EUR 39k (prior year: EUR 6k).

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

EUR 16,778k (prior year: EUR 7,686k) of ***other liabilities*** relates to taxes. Another EUR 4,540k (prior year: EUR 37k) pertains to liabilities relating to social security.

Notes to the income statement

Revenue

Revenue by division

EUR k	01 Apr 2018 - 31 Mar 2019	01 Apr 2019 - 31 Mar 2020
Automotive	903,467	857,331
Engineering	261,652	358,428
Other	52,455	22,210
Total	1,217,574	1,237,969

Revenue by sales regions

EUR k	1 Apr 2018 - 31 Mar 2019	1 Apr 2019 - 31 Mar 2020
Germany	1,071,793	1,130,600
Rest of Europe	86,283	83,523
Rest of the world	59,498	23,847
Total	1,217,574	1,237,969

Other operating income

EUR k	01 Apr 2018 - 31 Mar 2019	01 Apr 2019 - 31 Mar 2020
Other operating income		
Cost allocation to affiliates	97	21
Income from currency translation	993	1,237
Sundry other operating income	11,046	10,688
	12,136	11,946
Income relating to other periods		
Reversal of provisions	45,574	24,647
Reversal of valuation allowances	751	161
Income from tax field audit	446	0
Income from the disposal of fixed assets	13	0
Total income relating to other periods	46,784	24,808
Total other operating income	58,920	36,754

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

EUR k	01 Apr 2018 - 31 Mar 2019	01 Apr 2019 - 31 Mar 2020
Wages and salaries	236,589	230,512
Social security	41,818	40,055
Pension costs	4,717	3,430
Other benefit costs	111	90
Other personnel expenses	283,235	274,087

Translation from the German language

Other operating expenses

EUR k	01 Apr 2018 - 31 Mar 2019	01 Apr 2019 - 31 Mar 2020
Operating expenses		
Purchased services for maintenance	18,394	18,356
Purchased services and technical support	7,441	8,823
Project leases	484	243
Other leasing expenses, rent and leases	14,969	15,153
	41,288	42,575
Administrative expenses		
Third-party IT services	9,047	7,106
Insurance premiums	2,192	2,431
Office materials	1,545	1,403
Other administrative expenses	11,391	7,535
	24,175	18,475
Selling expenses		
Freight costs	9,063	7,371
Expenses for warranties	1,439	1,659
Impairment	296	16
Other selling expenses	772	716
	11,570	9,762
Expenses relating to other periods		
Losses on the disposal of fixed assets	44	41
	44	41
Other incidental personnel costs	4,464	3,981
Expenses from currency translation	1,105	694
Sundry other expenses	5,960	5,315
Total other operating expenses	88,606	80,844

Financial result

EUR k	01 Apr 2018 - 31 Mar 2019	01 Apr 2019 - 31 Mar 2020
Income from equity investments	13,124	7,688
(thereof from affiliates)	13,124	7,688
Income from loans classified as fixed financial assets	863	937
(thereof from affiliates)	861	935
Interest and similar income	749	850
(thereof from affiliates)	46	0
Impairment of financial assets	0	-20,000
Interest and similar expenses	-11,756	-12,024
(thereof to affiliates)	-10,655	-10,738
Total	2,980	-22,549

The total of ***interest and similar income*** includes the unwinding of the discount recorded on the tooling reimbursement receivables of EUR 850k (prior year: EUR 703k).

Interest and similar expenses include the expense of unwinding the discount recorded on provisions amounting to EUR 268k (prior year: EUR 262k).

Taxes on income

Income taxes contain withholding tax of EUR 896k (prior year: EUR 0k). In the prior year, withholding tax of EUR 1,565k was recorded under other taxes. The prior-year figures were not adjusted.

Other taxes

Other taxes contain real estate tax of EUR 364k (prior year: EUR 396k). Tax expenses relating to other periods comprise capital gains tax for 2017 of EUR 0k (prior year: 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 21,554k (prior year: EUR 65,956k) was transferred to SMP GmbH.

Other notes

Other financial obligations

The purchase obligation for investment projects comes to EUR 18,512k as of the reporting date (prior year: EUR 17,217k). 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 2019	31 Mar 2020
within one year	3,129	9,328
between one and five years	19,666	16,994
more than five years	1,765	6,074
Total obligations	24,560	32,396

The total value of the rental and lease agreements of EUR 32,396k consists of, among other things, obligations of EUR 86k from lease agreements for financing property, plant and equipment from project leasing (prior year: EUR 2,291k). EUR 86k (prior year: EUR 256k) 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 2019	31 Mar 2020
within one year	5,187	8,248
between one and five years	7,143	2,358
more than five years	1,542	1,424
Total obligations	13,872	12,030

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 7,415k (prior year: EUR 7,254k) relates to affiliates.

Contingent liabilities

As of 31 March 2020, 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 (Changchun) Co. Ltd. in order to safeguard their business operations. To the best of our knowledge on the date these financial statements were finalized, it is not considered likely that any claims will be brought under the contingent liabilities mentioned above given the current payment history of the beneficiaries.

The Company is jointly and severally liable for the liabilities of Samvardhana Motherson Automotive Systems Group B.V. (SMRP 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 reporting date, the liabilities from the revolving credit facility agreement were valued at EUR 50m.

In addition, local RCF carve outs were utilized by a few SMRPBV subsidiaries, for which the Company is also jointly and severally liable. As of 31 March 2020, these are as follows: SMP Automotive Produtos Automotivos do Brasil Ltda. of BRL 40.0m, SMR Automotive System (Thailand) Limited of THB 84.5k, SMP Automative Systems México S.A. de C.V. of USD 63m and SMR Automotive (Langfang) Co. LTD (China) of CNY 39.5m.

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)

In addition, the Company is jointly and severally liable for the liabilities of USD 16m of SMP Automotive Systems México S.A. de C.V., Puebla, Mexico, and liabilities of SMP Automotive Technology Iberica SL of EUR 10m. As of the reporting date, both liabilities were valued at EUR 0. The Company's bank accounts were pledged as security for this purpose.

Despite the production downtimes due to the coronavirus crisis, 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 152,000k and can be drawn on 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. As of the reporting date, SMP Deutschland GmbH sold receivables of EUR 69,465k (prior year: EUR 79,076k) and SMP Automotive Exterior GmbH sold receivables of EUR 13,890k (prior year: EUR 14,396k) 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 “Purpurin” project lease agreement results 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. This agreement is an operating lease agreement that is not included in the balance sheet, its advantage being the possibility to use fixed assets without any initial capital expenditure. The risk related to this agreement is 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. As a result, the credit risk of the sold receivables of EUR 100,502k (prior year: EUR 81,878k) was transferred to the buyer as of the reporting date. SMP received cash and cash equivalents of the same amount from the receivables sold to the factoring banks as of the reporting date. The risk arising from interest rates varying before the date of payment by the customers is deemed immaterial given the currently negative 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 2019	31 Mar 2020
Salaried employees	2,549	2,528
Wage earners	1,991	1,929
Trainees	201	176
Total	4,741	4,633

Translation from the German language

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 chair, employee representative
Hautmann	Markus	Schwandorf	Union regional manager	Employee representative
Eckstein	Joachim	Oldenburg	Full-time member of the SMP works council	Employee representative (until November 2019)
Sichler	Franz-Peter	Kehlheim	IG BCE union secretary	Employee representative (until November 2019)
Semler	Wolfgang	Neustadt	Full-time member of the SMP works council	Employee representative
Baumann	Dr. Klaus	Freiburg	Head of engineering SMP	Employee representative
Kretz	Rolf	Endingen	Full-time member of the SMP works council	Employee representative (as of December 2019)
Kunkel	Jörg	Hannover	Hauptverwaltung IG BCE	Employee representative (as of December 2019)
Dhar	Bimal	Sharjah, United Arab	Chairman of the supervisory board	Chairman, Shareholder representative
Sehgal	Vivek Chaand	New Delhi, India	Chairman SM Group	Shareholder representative
Sehgal	Laksh Vaaman	New Delhi, India	General manager MSSL	Shareholder representative
Tandon	Ashok	Gurgaon, India	Senior Vice President MSSL	Employee representative (until December 2019)
Gauba	Gaya	Noida, India	CFO SM Group	Shareholder representative
Malani	Kunal	Mumbai, India	Strategic Head SM Int. Ltd.	Shareholder representative
Dhar	Ramesh	Noida, India	President WOCO Motherson Elastomer Ldt.	Employee representative (until December 2019)
Mathur	Geeta	New Delhi, India	Member of the supervisory board	Employee representative (as of January 2020)

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 reimbursement of their expenses.

Total remuneration of the supervisory board amounts to EUR 88k in the fiscal year ended 31 March 2020 (prior year: EUR 88k). 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, United Arab Emirates	Chair of the management board (until 16 August 2019)
Zawadzinski	Cezary	St. Clair (Michigan), USA	Chair of the management board (as of 6 September 2019)
Heuser	Andreas	Bad-Soden-Salmünster	General manager of the Samvardhana Motherson Group for activities in Europe and America

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 315k 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 are published on the Company's website (www.motherson.com).

The consolidated financial statements and group management report of SMRP B.V. are prepared in accordance with International Financial Reporting Standards pursuant to 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

The outbreak of the coronavirus in the first quarter of 2020 may have negative effects on deliveries of outgoing goods as well as on the Company's assets, liabilities, financial position and financial performance in fiscal year 2020/21. The shutdown in April 2020 and the gradual ramp-up of production by automotive manufacturers led to further losses of revenue in the month of May. However, it is expected that production can return to its old level from June onwards.
SMP endeavors to counter the situation in the best possible way and has applied the short-term work furlough scheme throughout Germany since the end of March. Further details can be found in the chapters “Outlook” and “Risk and opportunities report”. There were no further significant events after the reporting date requiring consideration either in the income statement or in the balance sheet.

Proposal for the appropriation of profit

Management proposes to carry forward the profit carryforward of EUR 45,821,168.35 to new account.

Bötzingen, 4 June 2020

SMP Deutschland GmbH
The general managers

………………………………….	………………………………….
Cezary Zawadzinski	Andreas Heuser

SMP Deutschland GmbH, Bötzingen

Attachment to the notes (Statement of changes in fixed assets for the period from 1 April 2019 to 31 March 2020)

	Acquisition and production cost					Accumulated amortization, depreciation and impairment				Net book values	
	01 Apr 2019 EUR	Additions EUR	Disposals EUR	Reclassifications EUR	31 Mar 2020 EUR	01 Apr 2019 EUR	Additions EUR	Disposals EUR	31 Mar 2020 EUR	31 Mar 2020 EUR	31 Mar 2019 EUR
I. Intangible assets											
Purchased franchises, industrial and similar rights and assets, and licenses in such rights and assets	27,095,025.37	965,964.99	35,138.42	1,165,052.64	29,190,904.58	21,726,017.37	2,066,440.63	35,138.42	23,757,319.58	5,433,585.00	5,369,008.00
II. Property, plant and equipment											
1. Land, land rights and buildings, including buildings on third-party land	114,615,730.34	5,177,295.47	296,170.75	1,648,098.23	121,144,953.29	36,819,090.51	4,291,996.21	294,113.75	40,816,972.97	80,327,980.32	77,796,639.83
2. Plant and machinery	238,312,189.07	18,308,450.23	2,811,024.65	16,761,823.99	270,571,438.64	159,094,770.07	17,893,307.82	2,771,444.25	174,216,633.64	96,354,805.00	79,217,419.00
3. Other equipment, furniture and fixtures	22,521,362.84	2,426,961.13	2,211,282.96	2,031,728.74	24,768,769.75	15,921,703.67	3,968,432.04	2,211,138.96	17,678,996.75	7,089,773.00	6,599,659.17
4. Prepayments and assets under construction	26,882,770.43	9,623,547.13	0.00	-21,606,703.60	14,899,613.96	0.00	0.00	0.00	0.00	14,899,613.96	26,882,770.43
	402,332,052.68	35,536,253.96	5,318,478.36	-1,165,052.64	431,384,775.64	211,835,564.25	26,153,736.07	5,276,696.96	232,712,603.36	198,672,172.28	190,496,488.43
III. Financial assets											
1. Shares in affiliates	11,091,366.53	0.00	0.00	0.00	11,091,366.53	145,436.58	0.00	0.00	145,436.58	10,945,929.95	10,945,929.95
2. Loans to affiliates	19,000,000.00	3,500,000.00	2,500,000.00	0.00	20,000,000.00	0.00	20,000,000.00	0.00	20,000,000.00	0.00	19,000,000.00
3. Equity investments	2,710,342.14	0.00	0.00	0.00	2,710,342.14	0.00	0.00	0.00	0.00	2,710,342.14	2,710,342.14
4. Other loans	3,829,864.66	142,040.48	3,027,593.01	0.00	944,312.13	0.00	0.00	0.00	0.00	944,312.13	3,829,864.66
	36,631,573.33	3,642,040.48	5,527,593.01	0.00	34,746,020.80	145,436.58	20,000,000.00	0.00	20,145,436.58	14,600,584.22	36,486,136.75
	466,058,651.38	40,144,259.43	10,881,209.79	0.00	495,321,701.02	233,707,018.20	48,220,176.70	5,311,835.38	276,615,359.52	218,706,341.50	232,351,633.18

SMP Deutschland GmbH, Bötzingen
Attachment to the notes (List of shareholdings as of 31 March 2020)

	Currency	Share %	Equity	Net income/loss	
SMP Logistik Service GmbH, Bötzingen	EUR k	100	573	7	[3]
Purpurin Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	EUR k	94	-15	3	[2]
Changchun Peguform Automotive Plastics Technology Co. Ltd., Changchun, China	CNY k	50.001	653,561	180,466	[1,2]
SMP Automotive Technology Management Services Co. Ltd., Changchun, China	TCNY	100	-3,226	0	[1,2]
SMP Automotive Solutions Slovakia s.r.o., Matuskovo, Slovakia	EUR k	100	-19,089	-1,070	[3]
Eissmann SMP Automotive Interieur Slovensko s.r.o. Holic, Slovakia	EUR k	49	7,526	-3,033	[2]

[1] The closing rate came to: EUR 1 = CNY 7.773850
[2] Reporting date 31 December 2019
[3] Reporting date 31 March 2020

Fiscal year from 1 April 2019 to 31 March 2020

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.

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, 91.3% of revenue was generated in Germany (prior year: 88.0%). The share in revenue attributable to the other European countries came to 6.8% (prior year: 7.1%), while 1.9% (prior year: 4.9%) 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 of the co-subsidiaries in Mexico and Hungary were commissioned in 2017/18, a plant of a US- affiliate at the Tuscaloosa (USA) facility started series production in 2018/19. This represents the continuation of the SMP Group'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 development 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 was built into a new fully electric Taycan sports car for Porsche. 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 were successful for instance by using recycled carbon fibers for the matrices of the console of the Porsche Taycan and for the instrument panel in the cockpit of the Porsche 911. Using the carbon fibers leads to a significant weight reduction. 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 and will lead to a completely newly developed vehicle front this calendar year, which we set up in a demonstrator for presentation to our customer.

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 471 employees as of year-end (prior year: 478), who worked on advance development projects for future innovations and on product development projects on behalf of customers. Furthermore, around EUR 10.3m (prior year: EUR 8.4m) 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 are currently being expanded and 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

Global economic growth slowed notably in 2019 compared to prior years. According to calculations by the World Bank, global gross domestic product (GDP) only grew by 2.4% in the prior year – the lowest level of growth seen since the global financial crisis.

The trade dispute between the US and China also had a negative impact on global growth in 2019. Growth of global trade was significantly below the long-term average with severely dampening effects seen on the industrial sectors of exporting economies. The uncertainty brought about by trade policy also led to subdued investment activity. Only consumption developed robustly – comparatively, growth was only slightly below the level seen in prior years.

GDP in industrialized countries increased in the past year by an estimated 1.6% and thus at a notably slower rate than in 2018. At 1.1%, economic output in the countries of the eurozone experienced much weaker growth compared to prior years. Some economies have been verging on a recession over the course of the year. The withdrawal of the United Kingdom from the European Union, which had hitherto not been settled, also had a negative impact on economic development in 2019. Industrial output in the eurozone, which was below the prior-year figure in each calendar month of 2019, had a particularly dampening impact on economic growth. Lower demand from Asia on account of growing tensions in global trade policy in particular brought about a decline in the export-oriented industrial sector. As a key industrial center in the eurozone, the German economy was particularly hard hit by these effects. GDP in Germany rose by only 0.6% in 2019.

Economic development in the US was also weaker than in 2018. GDP increased by 2.3% in 2019. While significant growth was still seen in Q1, on an annual basis GDP growth rates only just exceeded the 2% mark in the following quarters. Private consumption developed robustly, driven by tax breaks and favorable employment figures on the US labor market. The unemployment rate fell to 3.5% at year-end. A lack of trust and uncertainty triggered by the sharpened trade dispute with China had a negative impact on investing activities and the industrial sector.

Developing and emerging economies recorded estimated growth in their economic output of 3.5%. As the most important driver of the global economy, GDP in China rose by 6.1%. Momentum in the Chinese economy dropped off notably on account of the cooling off of domestic demand, increased tensions in terms of trade policy with the US, the slower pace of growth of industrial production and lower investing activities due to uncertainty. The Indian economy grew at a significantly slower pace in fiscal year 2019/20, recording estimated growth of only 5%. Economic growth in Brazil was slightly down on the prior year, recording estimated growth of 1.1%. With growth of 1.2%, the Russian economy also demonstrated a slower pace of growth in 2019. In Mexico, economic growth came to a standstill in the past year (GDP growth: ±0%).

Global demand for passenger cars dropped off significantly in 2019. On the whole, around 5% fewer new vehicles were sold globally than in the prior year. The US and Western Europe, which together with China make up the automotive hot spots, had a relatively robust year.

However, by contrast, China, the world's biggest passenger car market, had the largest negative impact on global sales. On the whole, Chinese new vehicle sales decreased by almost 10% compared to 2018 – this corresponds to a decrease of more than 2.2 million units. This was mainly due to the ongoing trade dispute with the US, which had a significant dampening effect on the economic environment and also led to uncertainty amongst consumers. Reductions to buyer's premiums for electric vehicles also had a negative impact on demand.

In the US, sales of light vehicles declined by slightly more than 1% to around 17 million units. Despite the economic slowdown, the favorable situation on the labor market and rising wages bolstered demand for new vehicles. In this regard, buyers continued to focus on the light trucks segment, which saw an increase of almost 3%. By contrast, sales volume of passenger cars decreased by 10%.

On the Western European passenger car market, new registrations of passenger cars increased by almost 1% in 2019 to 14.3 million units. However, this year was still affected by the distortion caused by WLTP. The purchases brought forward in 2018 led to a weak first half of the year, whilst the second half of the year sometimes saw double-digit growth rates. Many new registrations were once again brought forward in the last month of the year, as from 2020 vehicle manufacturers have to comply with the strict CO2 targets for new vehicles sold. The German passenger car market attained strong growth of 5% to 3.6 million units – the highest volume seen since 2009. New registrations in France also increased by around 2%. The remaining top 5 markets in Western Europe were not able to keep pace with this. In Italy, demand was only at the prior-year level despite the eco-bonus, new vehicle registrations declined in Spain (down 5%). In the UK, new vehicle sales declined in 2019 for the third time in a row. Declining by 2%, the market reached a volume of 2.3 million units.

The recovery of the Russian automotive market came to a halt in 2019. Overall, sales figures for new vehicles declined by more than 2% to around 1.8 million light vehicles. With this result, the Russian automobile market remains below its potential. The light vehicles market in Mexico also has not displayed any upward trend over recent months. In 2019 as a whole, new vehicle sales declined by almost 8%. Brazil is the positive exception in emerging markets in the Group. Here demand for new vehicles increased by almost 8% in 2019 to around 2.7 million units.

Looking towards Asia, positive results were also not seen outside of China. In India, demand decreased dramatically over the course of the year, while the situation stabilized somewhat again at year-end. Nevertheless, an economic slowdown and a reluctance on the part of consumers to purchase high-value goods led to a decline on the Indian passenger car market of almost 13% over the full year in 2019. The rate of VAT was raised in Japan as of 1 October. This led to purchases being brought forward, however these could not compensate for the decline in new passenger car registrations in the final quarter of the year – market volume declined by slightly more than 2%. In South Korea, the temporary tax relief did not have a long-lasting effect – new passenger car registrations declined slightly by 1% in 2019.

The revenue of Germany's automotive companies rose 2% to around EUR 435b. In this regard, both revenue generated in other countries and revenue from domestic business increased by 2%. The automotive industry employed a total of 822,535 people in Germany in December 2019.

b. Significant factors in fiscal year 2019/20

Besides further integration into the Samvardhana Motherson Group, fiscal year 2019/20 was affected by measures to increase efficiency in processes, by investments and winning new orders. The Company achieved an EBIT margin (according to management reporting) of 4.6% (prior year: 6.4%) for the whole of 2019/20.

Human resources

The Company's human capital is one of its biggest competitive advantages. SMP Deutschland GmbH employed 4,463 (prior year: 4,610) highly-qualified people in all parts of the Company (including trainees) as of the reporting date of 31 March 2020.

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".

In the area of training, we expanded the career portal on our website in the past year to include our professional training and study courses. The contents of all professional training/study courses are presented both in the theoretical section and in practice at SMP. To provide our applicants an optimal overview for this purpose, we also take pictures and record short movies for each profession. In addition, our application tips are aimed at supporting our future trainees/cooperative university students in their first step toward SMP. For a general overview, each location across Germany introduces itself with the relevant trainers and benefits. Our trainees were also invited to various events within the Company, such as the celebration of SMP's 60th anniversary, Bötzingen's 1250th anniversary, etc.

Furthermore, a career path for experts was introduced, which enables highly qualified experts to develop outside the classic management career path.

Training future specialists is an important success factor for practicing the Company's philosophy of filling new or vacated positions internally. That is why SMP employed 161 trainees as of the reporting date (prior year: 184), 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) still have high priority. The demand for and interest of the departments in these skilled workers, perfectly trained for the organization, is huge and feedback is constantly positive.

We were able to successfully complete the audit and therefore the certification as Top Employer in the current fiscal year 2019/20. Thanks to this seal, we expect to receive excellent feedback in the future, both in terms of our public image and our image within the Company, thus enabling us to shorten our recruitment process and positively impact employee turnover. Derived from the knowledge obtained in the audit regarding strengths and weaknesses of our end-to-end processes and standards, we will continue to take and implement specific measures to improve our business processes.

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 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 the year 2019/20.

Capital expenditure

SMP invested a total of EUR 36.5m in expansions and replacements in fiscal year 2019/20 (prior year: EUR 44.4m). At the Meerane location, EUR 10.6m was invested in production for the new Porsche J1 and VW NEO products. The investment sum for this came to EUR 12.3m in fiscal year 2019/2020. Moreover, EUR 2.7m was invested in production for the new VW T7 Multivan and Daimler R232 products in Oldenburg. In the coming fiscal year, investments will primarily focus on machinery as well as on a new office building at the Bötzingen location.

IT

In the area of IT, there are also new possibilities to provide information technology and services cost-effectively and within the Group with MIND, a group company. 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 ISO 45001:2018.

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 reporting 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% in Purpurin Grundstücksverwaltungsgesellschaft mbH & Co. KG (Purpurin), Mainz
- 100% in SMP Automotive Solutions Slovakia s.r.o. (SMP Slovakia), Matuskovo, Slovakia
- 49% in Eissmann SMP Automotive Interieur Slovensko s.r.o. (Eissmann), Holic, Slovakia

The equity investments developed as follows:

	Revenue (EUR m)		Net income/loss for the year (EUR m)		Employees	
	2019/20 [1]	Prior year [2]	2019/20 [1]	Prior year [2]	2019/20 [1]	Prior year [2]
SMP Logistik [5]	5.4	5.0	0.0	0.0	114	129
SMP MSC [5,6]	0.0	0.0	0.0	0.0	0	0
CPAT [5,6]	215.2	236.0	23.7	33.2	1,285	1,266
Purpurin [3,4]	0.2	0.2	0.0	0.0	0	0
SMP Slovakia [4,5]	19.7	22.9	-1.0	0.0	97	113
Eissmann [5]	43.1	43.0	-4.2	-0.4	644	748

[1] Period from 1 April 2019 to 31 March 2020
[2] Period from 1 April 2018 to 31 March 2019
[3] Period from 1 January 2018 to 31 December 2018
[4] Period from 1 January 2019 to 31 December 2019
[5] IFRS reporting
[6] The average exchange rate of EUR 1/CNY 7.73850 was used for currency translation (prior year: EUR 1/CNY 7.76400)

c. Position of the Company and development of its business

Financial performance

Revenue amounted to EUR 1,238.0m in fiscal year 2019/20 (prior year: EUR 1,217.6m), which fell short of management's expectations.

Of the **series revenue** of EUR 857.3m (prior year: EUR 903.5m), around EUR 366.5m (prior year: EUR 387.4m) related to bumpers and front-end modules (exterior) and around EUR 490.8m (prior year: EUR 516.1m) 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 51.8m, a 5.7% decrease on the prior year.

Engineering services of EUR 358.4m (prior year: EUR 261.7m) were invoiced. The engineering revenue forecast in the prior year was thus exceeded.

Other revenue amounted to EUR 22.2m (prior year: EUR 52.5m). This primarily contains services to SMP group companies.

Other operating income totaled EUR 36.8m (prior year: EUR 58.9m) 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 65.5% and is thus 1.9 percentage points lower 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). Minimal fluctuations between the fiscal years mainly result from the varying product mix of the individual vehicle models that are supplied to the OEMs.

In absolute terms, **personnel expenses** decreased compared to the prior year. They came to EUR 274.1m (prior year: EUR 283.2m) and were therefore EUR 9.1m lower than the prior-year figure. In relation to total operating performance, the ratio of personnel expenses (personnel expenses ÷ total operating performance) increased by 1.2 percentage points to 24.1% (prior year: 22.9%). Average expenses per employee stood at EUR 59.2k (prior year: EUR 59.8k).

Amortization of intangible assets and **depreciation** of property, plant and equipment amounted to EUR 28.2m (prior year: EUR 25.6m).

Total **other operating expenses** amounted to EUR 80.8m (prior year: EUR 88.6m), and were thus lower than in the prior year. The main expense items were maintenance and technical consultation expenses amounting to EUR 27.1m (prior year: EUR 25.8m), leasing and rental expenses amounting to EUR 15.2m (prior year: EUR 15.0m), third-party IT services amounting to EUR 7.1m (prior year: EUR 9.0m) and other administrative expenses amounting to EUR 7.5m (prior year: EUR 11.4m) as well as selling expenses of EUR 9.7m (prior year: EUR 11.6m).

EBIT came to EUR 45.4m (prior year: EUR 65.0m), which stands at 4.0% of total operating performance (prior year: 5.3%).

EBIT according to management reporting used for internal controlling totaled EUR 56.1m (prior year: EUR 75.4m), which corresponds to an EBIT ratio (EBIT/revenue) of 4.6% (prior year: 6.4%). The prior-year forecast for the EBIT ratio of 5.6% was therefore not reached.

The **financial result** came to EUR -22.5m on the reporting date (prior year: EUR 3.0m). This contains impairment losses on a loan for EUR 20m granted to our subsidiary SMP Slovakia as well as dividend income of our subsidiary Changchun Peguform Automotive Plastics Technology Co. Ltd. totaling EUR 7.7m (prior year: EUR 13.1m).

Financial position

Cash flow from operating activities amounted to EUR 98.4m at the end of the year (prior year: EUR 5.0m). Cash flow from investing activities came to EUR -34.7m (prior year: EUR -48.4m). Cash flow from financing activities amounted to EUR -20.3m (prior year: EUR 35.2m). This led to a net change in cash and cash equivalents of EUR 43.4m (prior year: EUR -8.2m).

The refinancing of the SMP Group and thus also of SMP Deutschland GmbH changed significantly due to the bonds issued in the prior years 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 reporting date, there is only one external financial liability of EUR 894k (prior year: EUR 2,030k) from a hire-purchase contract with Deutsche Leasing for refinancing movable property in a production hall at the Bötzingen location.

The letters of comfort issued in favor of SMP Slovakia and SMP MSC to ensure their solvency remain valid.

The loan granted by Samvardhana Motherson Peguform GmbH came to EUR 21.6m as of 31 March 2020 (prior year: EUR 16.3m).

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 250.0m is available to the Company, and EUR 138.5m of this amount had been utilized as of the reporting date (prior year: EUR 163.0m).

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 100.5m (prior year: EUR 81.9m) had been sold as of the reporting 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.

Credit insurance companies once again underwrote business for the Company in 2019/20.

Assets and liabilities

Total assets were down EUR 88.7m year-on-year at EUR 606.9m (prior year: EUR 695.6m).

Non-current assets amounted to EUR 218.7m on the reporting date (prior year: EUR 232.4m).

Current assets came to EUR 387.1m on the reporting date (prior year: EUR 462.3m), a decrease of EUR 75.2m. Medium to long-term current assets amounted to EUR 73.8m (prior year: EUR 71.2m) for tooling cost reimbursement claims from engineering contracts.

Short-term current assets fell by EUR 77.8m from EUR 391.1m in the prior year to EUR 313.3m.

Cash and cash equivalents came to EUR 60.7m as of the reporting date and were thus considerably higher (up EUR 43.4m) than in the prior year (see also the disclosures on the financial position).

Other provisions decreased by EUR 3.0m to EUR 143.7m (prior year: EUR 146.7m). This decrease consisted of provisions for personnel-related matters of EUR 3.4m (prior year: EUR 12.0m) and provisions for outstanding engineering costs of EUR 1.1m (prior year: EUR 11m). By contrast, sale-related provisions increased by EUR 2.9m (prior year: decrease of EUR 11.2m).

Provisions for pensions and similar obligations amounted to EUR 2.5m on the reporting date (prior year: EUR 2.4m).

ROCE, a performance indicator determined on the basis of management reporting, decreased to 18.8% due to lower earnings before interest and taxes (EBIT), contrary to the prior-year forecast of 22.6%.

Overall statement regarding the progress of business

SMP's business performance in fiscal year 2019/20 was satisfactory. With revenue remaining virtually unchanged, earnings were negatively impacted by one-off effects, such as impairment of financial assets. At EUR 358.4m, the development business recorded strong revenue growth compared to the prior year (EUR 261.7m), while series sales decreased once again to EUR 857.3m compared to the prior year (EUR 903.5m) due to continuously lower customer calls on orders in Germany. This led to EBIT of EUR 45.4m in fiscal year 2019/20 (prior year: EUR 65.0m) or 4.0% of total operating performance (prior year: 5.3%) and thus underperformed the prior-year figure by 1.3 percentage points.

III. Forecast, opportunities and risks

a. Forecast

Forecast regarding the economy and automotive market
In its report dated January 2020, the World Bank forecast global economic growth for the current year of 2.5% – slightly higher than in 2019. The growth rate in industrialized countries is thus again losing impetus (up 1.4%). But the World Bank is projecting an upward trend in developing and emerging countries (up 4.1%). Amongst industrialized countries, the World Bank expects that the US economy in particular will lose momentum (GDP growth forecast 2020: up 1.8%) with the eurozone remaining on its low growth trajectory (up 1.0%). For Japan, it is expected that the pace of growth will continue to slow (to 0.7%) on account of the VAT increase in the prior year.

According to the World Bank forecasts from January 2020, China has displayed slightly lower levels of momentum in the current year amongst emerging markets than was the case in 2019 (up 5.9%). The World Bank expects that the Indian economy will once again pick up the pace in 2020/21 (up 5.8%) and the Latin American countries will experience stronger growth than in 2019. For Russia, the World Bank expects GDP growth of 1.6% in 2020.

For the global passenger car market, the German association of the Automotive Industry (VDA) expects a further decline of 1% in 2020. As was the case in 2019, there will also be a lack of growth drivers on the major automotive markets in the current year.

For the Chinese passenger car market, the VDA forecasts a slight decline (down 2%). The market for light vehicles in the US will also not reach the level seen in 2019 (down 3%). According to the VDA, in Europe the new CO2 regulations will trigger a negative effect, consequently the VDA expects a 2% decline on the European passenger car market.

Economic impact of the corona virus pandemic
The spread of the novel coronavirus (COVID-19), which can now be seen on all continents, led to a crisis that will significantly dampen the economic outlook for 2020. In the April edition of its World Economic Outlook Report, the International Monetary Fund (IMF) forecast a decline in global economic output in 2020 of 3.0%. For industrialized countries, the IMF forecasts a decline of 6.1%. For developing and emerging markets, the IMF forecasts a decline of 1.0%.

The increasing number of coronavirus infections in China from January 2020 made it necessary for cities and regions to shut down and additional governmental measures to be taken to quell the epidemic. This also had an impact on the automotive sector, where automotive manufacturers' factories were closed. A gradual return to normality started from April with the easing of the restrictions.

The spread on the European and American continents also made it necessary for governments to introduce social distancing and quarantine measures in order to slow the infection rate. All production locations in Germany have restarted their production after the lockdown. The month of May was primarily characterized by start-up and test phases, however, we are expecting a further normalization of the situation from June, although production will not reach the level prior to the crisis.

It should be noted that the spread of the coronavirus will have negative effects on the global automotive sector in 2020, both in terms of demand and production. However, it is not possible to make a more reliable assessment of the level at the present time. It is currently not possible to predict for how long and to what extent the measures to subdue the virus will have to be taken and to what extent automotive demand will ultimately be impacted by economic slumps. The German Association of the Automotive Industry (VDA) has not issued an adjusted forecast in this regard.

Company-specific forecast

Revenue is expected to decrease significantly compared to the prior year, because the lock down due to COVID-19 will lead to substantial decreases in revenue in the first quarter of fiscal year 2020/21. We expect that revenue of around 85% compared to the level of the prior months will be reached from June 2020. Therefore, the focus is on further optimizing our processes. The main goal is to adjust the Company’s cost structure to this new level of revenue, mainly through the short-time work furlough scheme.

Because of our order portfolio, we anticipate employment to rise again for the fiscal years 2021/22 to 2023/24. Revenue of more than EUR 1,250m is expected from fiscal year 2022/23 due to additional Porsche programs and a significant increase in value for the follow-up and new projects for BMW.

For our internal performance indicator (EBIT determined on the basis of management reporting) we expect negative EBIT of EUR -1.4m due to the reduction in volume for fiscal year 2020/21. This will also have a negative effect on the ROCE indicator. Due to the improving utilization of capacity from 2021/22 onwards and the related revenue, we expect to generate positive EBIT from fiscal year 2021/22 onwards.

In the past year, continuous improvement process (CIP) measures were again implemented in production 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 2020/21.

b. Riskreport

In the course of its operations, SMP is exposed to a number of risks that are inseparably associated with its business activity. We use internal 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.

Riskmanagement

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.

<u>Market risks</u>

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 eurozone. 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. In fiscal year 2019/20, our customers already recorded noticeable decreases in revenue. 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.

The corona crisis is currently determining the market environment and is leading to restrictions, measures and changes in behavior due to the crisis management measures of governments and companies worldwide, which in turn is significantly influencing market demand, particularly for cars. Temporary discontinuation of production has been the result. The duration of the recovery of production, rebounding demand for automobiles and a stable start-up of supply chains are the current uncertainty factors that make it difficult to pursue planned, routine operations and also entail existential risks for companies. Therefore, a top priority for companies is to secure their viability and liquidity. The collapse of the automotive market triggered by the coronavirus poses a high risk for fiscal year 2020/21, combined with the difficulty to reliably forecast the time when the market conditions will normalize again.

In the current market environment the aforementioned risks to the projected business are therefore to be classified as moderate to high in terms of both their likelihood of occurrence and their impact on SMP.

<u>Procurement risks</u>
The crisis in global supplies continued to deteriorate in the last quarter of the fiscal year due to the COVID-19 pandemic. The supply of production was ensured without any restrictions. For this reason, 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. Commodity prices are very likely to become more volatile due to the pandemic, but to what extent this will be the case is not foreseeable at present. 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 diverse trainee program, as described above. A three-month stay at one of the foreign plants is also planned within these 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.

Due to the successful certification by the Top Employer Institute, we are convinced that our existing employees in particular will see and feel the added value of such an employer seal, and that they will inevitably benefit from the measures implemented. In turn, we hope to also positively impact our employee turnover and therefore mitigate the employee exit risk (risk of losing employees who the Company would like to retain).

The global implementation of a new process for recognizing potential and performing succession planning enables us to identify potential succession risks in our headquarters, the Engineering division as well as in all of our production locations, and to take countermeasures in a timely manner.

The option of “working remotely” continues to be very popular and is therefore especially noteworthy. It 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.

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 took place in the past to record mental stress. The results were evaluated and summarized, and measures have been derived and developed further since 2017. The implementation of these measures is regularly monitored by the ASA. In addition, monthly meetings are held by the CHM team (comprising representatives of the HR department and of the works council), which develops and organizes health services and the CHM calendar. This health calendar offers employees health campaigns at least once a month, e.g., health courses, childcare during vacation as well as contact with physiotherapy and psychosocial support. We also carry out regular ergonomic workplace assessments. 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. The respective supervisor has been performing the risk assessment for maternity and for nursing mothers since April 2019.

490 employees are currently registered as members of Hansefit (as of March 2020).

We continue to attach great importance to work-family balance. In addition to related measures, such as the option to work remotely, SMP offers employees with children in elementary school vacation care. They therefore had the opportunity to put their children in an educational full-day group for two weeks during the summer vacation. A highlight of the past fiscal year was SMP's 60th anniversary party. To celebrate this company anniversary, we threw a big summer party with an exciting program, to which all employees and their family members were invited.

Risks arise from demographic change, recruiting and retaining professionals and executives and the resulting wage and salary increases. On account of the automotive industry facing a crisis, the large number of new hires has relativized and brought back to normal. As a result, we are now able to provide the best possible support to our new hires in terms of good onboarding, induction and training.

SMP Deutschland GmbH was hit with great force by the coronavirus crisis with some severe effects. We are battling massive decreases in sales due to differentiated shut downs and plant closures among our customers. An application for the short-time work furlough scheme was lodged at the applicable employment agency as the quickest reaction, with the aim of implementing the program consistently to reduce personnel expenses. It is also important that specialist employees are not lost at the current time so that they will be available immediately for the subsequent start up and ramp up. All the avenues available under the law that have a positive impact on the Company's liquidity were exploited immediately and measures such as deferrals of social security contributions, compensatory levies in lieu of employing severely disabled, contributions to employer's liability insurance and tax liabilities were applied for and reported. As of today, measures are being developed and introduced in close collaboration with HSE/GUSI, the company doctor and the production areas in order to keep the infection risk at production start as low as possible within the Company. Which further measures will be necessary depends on the market-specific development and difficult to predict at present.

IT risks

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 hosting agreement with T-Systems, business-critical systems (e.g., SAP ERP) have been transferred to a high-availability, geo-redundant 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). Like SMP, MIND is a company of the Motherson Group. The hosting agreement with T-Systems remains unaffected by this.

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 service management processes have been expanded again, and in addition to prioritization and risk evaluation also include 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 addition, extensive problem management was introduced in order to avoid recurring disruptions in the long term.

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.

Counterparty credit risks are all but eliminated by means of assessing the creditworthiness of all customers as a preventive measure, non-OEM customers in particular, as well as monitoring the compliance of all customers with the agreed terms of payment. 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 reporting 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.

Any potential margin increase of the factoring banks is an additional risk due to the current situation caused by the global spread of COVID-19. The treasury department collaborates closely with the banks, however, a margin increase cannot be entirely ruled out at present due to the effects expected on the global financial markets.

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

Liability risks

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 ISO 45001:2018.

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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 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 the market acceptance of new developments that go beyond our expectations as well as superior innovations that have not yet been taken into consideration during development.

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 remains on the same level as in the prior year at around EUR 2.8b and will guarantee utilization of our plant capacity in the following 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 above to be balanced with respect to the ability of achieving our projected targets for revenue and net profit.

We anticipate some employee churn in the first quarter of fiscal year 2020/21 due to the COVID-19 pandemic. This will be largely absorbed by the short-time work furlough scheme and flexible working time models in particular.

However, the exact extent is not currently foreseeable.

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, 4 June 2020

SMP Deutschland GmbH
The general managers

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Cezary Zawadzinski	Andreas Heuser