SMP Automotive Exterior GmbH
Schierling

Short-form audit report
Annual financial statements and management report
31 March 2020

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Building a better working world

Translation from the German language

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Note:

We have issued the auditor’s report presented below in compliance with legal and professional requirements subject to the conditions described in the enclosed “Engagement Terms, Liability and Conditions of Use.”

If an electronic version of this document is used for disclosure in the Bundesanzeiger [German Federal Gazette], only the files containing the financial reporting and, in the case of a statutory audit, the auditor’s report or the attestation report thereon are intended for this purpose.

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

Independent auditor's report

To SMP Automotive Exterior GmbH

Opinions

We have audited the annual financial statements of SMP Automotive Exterior GmbH - Schierling, 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 recognition and measurement policies presented therein. In addition, we have audited the management report of SMP Automotive Exterior 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 at 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, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

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

Other information

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

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

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

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

• otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Freiburg i. Br., 23 June 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

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

SMP Automotive Exterior GmbH, Schierling

Balance sheet as of March 2020

Assets

	EUR	EUR	EUR	31 Mar 2019 TEUR
A. Fixed assets				
I. Intangible assets				
Purchased franchises, industrial and similar rights and assets and licenses in such rights and assets		252,909.00		212
II. Property, plant and equipment				
1. Land, land rights and buildings including buildings on third-party land	38,820,174.85			40,140
2. Technical equipment and machines	33,453,238.00			36,807
3. Other equipment, furniture and fixtures	594,277.00			840
4 Prepayments and assets under construction	263,474.00			2,203
		73,131,163.85		79,990
III. Financial assets				
1. Shares in affiliated companies		26,544.00		27
			73,410,616.85	80,229
B. Current assets				
I. Inventories				
1. Raw materials, consumables and supplies	6,838,749.18			6,249
2. Work in progress	1,110,091.10			1,337
3. Finished goods and merchandise	1,247,297.80			1,167
		9,196,138.08		8,753
II. Receivables and other assets				
1. Trade receivables	12,846,707.50			6,863
2. Receivables from affiliates	7,078,280.12			5,230
3. Other assets	1,041,865.75			854
		20,966,853.37		12,947
III. Cash on hand, bank balances and cheques		5,388,305.07		2,795
			35,551,296.52	24,495
C. Prepaid expenses			3,000.00	0
			108,964,913.37	104,724

Equity and liabilities

	EUR	EUR	31 Mar 2019 TEUR
A. Equity			
I. Subscribed capital	25,000.00		25
II. Capital reserves	16,700,000.00		16,700
		16,725,000.00	16,725
B. Provisions			
1. Other provisions	32,964,665.78		26,766
		32,964,665.78	26,766
C. Liabilities			
1. Trade payables	17,344,709.56		13,449
2. Liabilities to affiliated companies	41,390,771.82		47,519
3. Other liabilities	539,766.21		265
		59,275,247.59	61,233
D. Deferred income		5,000,000.00	6,200
		108,964,913.37	104,724

SMP Automotive Exterior GmbH, Schierling
Income statement for the period from
1 April 2019 to 31 March 2020

	EUR	EUR	EUR	2018/2019 EUR k
1. Revenue		148,830,988.32		152,111
2. Increase or decrease in stock in finished and unfinished goods		-146,740.64		40
3. Other operating income		5,269,300.06		9,110
			153,953,547.74	161,261
4. Cost of materials				
a) Cost of raw materials, consumables and supplies and of purchased merchandise	96,218,000.12			98,504
b) Cost of purchased services	10,481,055.82			9,622
		106,699,055.94		108,126
5. Personnel expenses				
a) Wages and salaries	26,047,105.01			26,182
b) Social security, pension and other benefit costs	4,867,726.00			5,527
		30,914,831.01		31,709
6. Amortization and depreciation on intangible assets and property, plant and equipment		8,201,232.84		8,207
7. Other operating expenses		12,401,026.24		14,592
			158,216,146.03	162,634
			-4,262,598.29	-1,373
8. Other interest and similar income		55,126.48		10
9. Interest and similar expenses		2,289,644.78		2,491
			-2,234,518.30	-2,481
10. Earnings afer taxes			-6,497,116.59	-3,854
11. Other taxes			106,530.35	148
12. Expenses from profit transfer			6,603,646.94	4,002
13. Net income for the year			0.00	0

Notes to the financial statements of SMP Automotive Exterior GmbH, Schierling, for the fiscal year from 1 April 2019 to 31 March 2020

General

Samvardhana Motherson Peguform Automotive Exterior GmbH is a subsidiary of Samvardhana Motherson Peguform GmbH, Gelnhausen (SMP GmbH).

SMP Automotive Exterior GmbH is registered at the Regensburg local court under HRB no. B 13761. These financial statements were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for large corporations.

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

Recognition and measurement policies

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

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

Items of ***property, plant and equipment*** are recognized at the depreciated cost of the asset including incidental acquisition costs. The costs of self-constructed assets also include a proportionate share of production-related costs of materials and production overheads and amortization and depreciation as well as direct materials and production costs. Borrowing costs are not capitalized. Goods subject to wear and tear are depreciated. Extraordinary write-downs to the lower of cost or market were carried out in cases where impairment is expected to be permanent.

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

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

Financial assets are valued at acquisition cost including incidental acquisition costs, extraordinary write-downs to the lower of cost or market were carried out in cases where impairment is expected to be permanent.

The weighted average cost method or the lower of cost or market as of the balance sheet date is used to determine the acquisition cost of ***raw materials, consumables and supplies***.

Finished goods and work in process and merchandise are recognized at production cost. To determine the costs directly attributable to production, production cost also includes production overheads and indirect material cost in an appropriate amount, as well as amortization and depreciation. Sales risks and risks arising from limited marketability have been adequately taken into account.

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.

The value adjustments for amortization provisions, which were formed on the basis of expected insufficient purchase quantities, also take into account residual compensation payments that can be realized with a high level of certainty, as there is no risk of default. Amortization receivables are discounted at an interest rate based on the respective customer bond. The average interest rate in the reporting year is between 0.0% and 1.50% (prior year: between 0.0% and 1.50%).

Cash and cash equivalents are valued at their nominal value.

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

Equity is recognized at nominal value.

The **provisions** take into account all identifiable risks as well as all uncertain obligations and future cost and price increases at the time the obligation is fulfilled. Provisions with a remaining term of more than one year are generally discounted at the market interest rate determined by the German Bundesbank in accordance with their remaining term.

The provisions for death benefits and for vacation and Christmas bonuses were calculated using the 2018 G mortality tables by Dr. Klaus Heubeck and the projected unit credit method. An average interest rate of the last seven years of 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 by Dr. Klaus Heubeck and valued in accordance with actuarial principles (projected unit credit method) based on an interest rate 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.

Currency translation

Foreign currency assets and liabilities are valued using the mean spot rate on the balance sheet date applying the imparity and realization principle. For those with a term of more than one year the realization principle (Sec. 252 (1) No. 4 Half-Sentence 2 HGB) and the acquisition cost principle (Sec. 252 (1) Sentence 1 HGB) were observed. The currency translation adjustments shown in the income statement include both realised and unrealised exchange differences.

Deferred taxes

The parent company recognizes deferred taxes on account of temporary differences at subsidiaries due to the existing profit and loss transfer agreement 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 to the notes).

List of shareholdings

As of the balance sheet date, there was a 94.8% shareholding in SM Real Estate GmbH Gelnhausen, Germany. The company's equity at the balance sheet date was EUR 1,939k and the company's earnings amounted to EUR 212k.

Receivables and other assets

EUR k	31. Mar 2019	31. Mar 2020
Trade receivables	6,863	12,847
Receivables from affiliates	5,230	7,078
Other assets	854	1,042
Total receivables and other assets	12,947	20,967

Of ***trade receivables***, EUR 9,489k relates to tooling amortization receivables (prior year: EUR 3,905k), EUR 3,928k of which is due in more than one year (prior year: EUR 2,810k). All other trade receivables and other assets are due within one year.

Receivables from affiliates existing on the balance sheet date, totaling EUR 7,078k (prior year: EUR 5,230k), have a remaining term of less than one year. Receivables include the assumption of losses by the shareholder at the balance sheet date in the amount of EUR 6,604k (prior year: EUR 4,002k). Trade receivables of EUR 474k (prior year: EUR 1,228k) are also included.

Other provisions

Other provisions include provisions for sales of EUR 27,148k (prior year: EUR 21,481k), for personnel of EUR 2,973k (prior year: EUR 3,023k) and for outstanding invoices of EUR 2,843k (prior year: EUR 2,262k).

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. Trade payables	17,345	17,345	0	0
(prior year)	13,449	13,449	0	0
2. Liabilities to affiliates	41,391	4,891	36,500	0
(prior year)	47,519	3,019	44,500	0
thereof to shareholders	0	0	0	0
(prior year)	511	511	0	0
3. Other liabilities	539	539	0	0
(prior year)	265	265	0	0
Total liabilities	59,275	22,775	36,500	0
(prior year)	61,233	16,733	44,500	0

No securities were created for the liabilities.

Liabilities to affiliates include liabilities under the loans from SMRP B.V. of EUR 36,500k (prior year: EUR 44,500k). Trade payables of EUR 4,891k (prior year: EUR 2,508k) are also included.

Of **other liabilities**, taxes account for EUR 184k (prior year: EUR 263k). Another EUR 4k (prior year: EUR 3k) relates to social security liabilities.

Notes to the income statement

Revenue

Revenue by division

EUR k	1 Apr 2018 to 31. Mar 2019	1 Apr 2019 to 31. Mar 2020
Automotive	151,388	146,718
Other	723	2,113
Total	152,111	148,831

Revenue by sales region

EUR k	1 Apr 2018 to 31. Mar 2019	1 Apr 2019 to 31. Mar 2020
Germany	113,011	134,870
Rest of Europe	39,100	12,879
Rest of the world	0	1,082
Total	152,111	148,831

Other operating income

EUR k	1 Apr 2018 to 31. Mar 2019	1 Apr 2019 to 31. Mar 2020
Other operating income		
Cost allocation to affiliates	1,820	0
Income from currency translation	51	35
Sundry other operating income	1,700	1,089
	3,571	
Income relating to other periods		
Reversal of provisions	5,152	4,145
Reversal of valuation allowances	113	0
Income from tax field audit	274	0
Total income relating to other periods	5,539	4,145
Total other operating income	9,110	5,269

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

EUR k	1 Apr 2018 to 31. Mar 2019	1 Apr 2019 to 31. Mar 2020
Wages and salaries	26,182	16,047
Social security	4,951	4,353
Pension costs	576	515
Total	31,709	30,915

Other operating expenses

EUR k	1 Apr 2018 to 31. Mar 2019	1 Apr 2019 to 31. Mar 2020
Operating expenses		
Purchased services for maintenance	1,978	1,707
Purchased services and technical support	1,669	1,558
Other leasing expenses, rent and leases	1,710	1,351
	5,357	4,616
Administrative expenses		
Third-party IT services	237	229
Insurance premiums	188	221
Office materials	50	68
Other administrative expenses	352	761
	827	1,279
Selling expenses		
Freight costs	2,174	1,830
Expenses for warranties	424	411
Write-downs	0	248
Other selling expenses	2	4
	2,600	2,493
Expenses relating to other periods		
Losses on the disposal of fixed assets	0	17
	0	17
Other incidental personnel costs	229	190
Exposures from SMP Deutschland GmbH	461	1,668
Monitoring of third parties	218	220
External services	2,598	1,796
Expenses from currency translation	42	65
Sundry other expenses	2,190	56
Total other operating expenses	14,592	12,401

Interest and similar income includes interest on the compounding of amortization receivables in the amount of EUR 55k (prior year: EUR 10k).

Interest and similar expenses include interest in relation to SMRP B.V. of EUR 1,959k (prior year: EUR 2,245k). It also includes EUR 7k (prior year: EUR 6k) in interest on provisions and EUR 115k in discounting of amortization claims.

Other taxes
Other taxes include non-periodic tax expenses in the amount of EUR 0k (prior year: EUR 43k).

Income from loss transfer

On 2 December 2013, 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 6 December 2013. Due to this profit and loss transfer agreement, the annual profit of EUR -6,604k (prior year: EUR -4,002k) has to be compensated by SMP GmbH.

Other notes

Other financial obligations
The purchase obligation for investment projects comes to EUR 505k as of the balance sheet date (prior year: EUR 668k). We do not see a real risk of claims because the purchase obligation relates to firm investment projects.

Rental and lease agreements

EUR k	31. Mar 2019	31. Mar 2020
within one year	387	1,362
between one and five years	1,498	1,337
more than five years	995	1,604
Total	2,880	4,303

The total amount of rental and lease agreements of EUR 4,303k includes obligations from rental contracts for land and buildings of EUR 3,442k (prior year: EUR 2,242k) and leasing contracts for forklift trucks of EUR 609k (prior year: EUR 235k).

The rental and lease agreements allow the cash outflows to be spread over the respective contractual period. This contributes to a reduction in capital commitment and leaves the investment risk with the lessor or lessee.
In addition, as in the previous year, other financial obligations attributable to affiliated companies amount to EUR 9k. These obligations result from IT support services and are due within one year.

Contingent liabilities

The Company is jointly and severally liable for the liabilities of Samvardhana Motherson Automotive Systems Group B.V. in connection with the senior secured notes (EUR 100m) concluded in June 2015, senior secured notes (USD 400m) concluded in June 2016, senior secured notes (EUR 300m) concluded in July 2017, the revolving credit facility agreement (EUR 500m) concluded in June 2017 as well as its increase in August 2018 (EUR 75m) and the term loan (USD 60m) concluded in September 2018. As of the balance sheet date, the liabilities from the revolving credit facility agreement were valued at EUR 50m.

In addition, local "RCF carve outs" were used by some SMRPBV subsidiaries, for which the company is jointly and severally liable. As of 31 March 2020, these are as follows: SMP Automotive Produtos Automotivos do Brasil Ltda in the amount of BRL 40m; SM Automotive System (Thailand) Limited in the amount of THB 84,5k THB; SMP Automotive Systems México S.A. de C.V. in the amount of USD 63m and SMR Automotive (Langfang) Co. LTD (China) in the amount of CNY 39,5m.

SMP Automotive Exterior GmbH has provided the following collateral in this context:

- Land charges totaling EUR 60m, entered in the land register of Schierling, (local court Regensburg)

- Pledged assets (pursuant to share pledge agreement)

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

In addition, the company is jointly and severally liable for the liabilities of SMP Automotive Systems México S.A de C.V. Puebla/Mexico, in the amount of USD 16m and SMP Automotive Technology Iberica SL in the amount of EUR 10m. As of the balance sheet date, the two liabilities were denominated in EUR 0. The company's bank accounts were pledged as security for these liabilities
.

Based on the current business development of SMRP B.V. and its subsidiaries, we assume that, despite the loss of production due to the corona crisis, the probability of claims arising from contingent liabilities is low.

SMP Automotive Exterior GmbH has concluded joint factoring agreements with SMP Deutschland GmbH. The overall financing limit comes to a total of EUR 152,000k and is usable by both parties. Both parties issue a validity guarantee to the effect that the receivables exist, can be transferred and are not subject to pleas, reservations or rights of the debtor or others. Accordingly, the parties are jointly and severally liable. As of the balance sheet date, SMP Automotive Exterior GmbH sold receivables of EUR 13,890k (prior year: EUR 14,396k) and SMP Deutschland GmbH sold receivables of EUR 69,465k (prior year: EUR 79,076k) 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

Factoring agreements were concluded to optimize the Company's working capital. Thus, the credit risk of the sold receivables of EUR 13,890k (prior year: EUR 14,396k) was transferred to the buyer as of the balance sheet date. SMP Automotive Exterior GmbH received cash and cash equivalents of the same amount from the receivables sold to the factoring banks as of the balance sheet date. The risk from the financing subject to variable interest up to the date of payment by the customers is deemed immaterial given the current conditions on the interest rate and capital markets.

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

Employees

Average number of employees during the year:

Salaried employees	289
Wage earners	273
Trainees	12
Total	574

Management

As managing director of the company is appointed:

Andreas Heuser, Bad Soden-Salmünster, Geschäftsführer für Aktivitäten in Europa und Amerika der Samvardhana Motherson Gruppe.

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 45k for audit services.

Exemption from the preparation of consolidated financial statements

Pursuant to Sec. 291 HGB, SMP Automotive Exterior 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 Automotive Exterior GmbH is included in the consolidated financial statements of Motherson Sumi Systems Limited (MSSL), India (largest group of companies). The consolidated financial statements of MSSL have been published on the Company’s website (www.motherson.com).

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

Subsequent events (supplementary report)

Due to the spread of the corona virus in the first quarter of 2020, there may be negative effects on deliveries as well as the net assets, financial position and results of operations in fiscal year 2020/21. The "shutdown" in April 2020 and the continuing low ramp-up curve of the automobile manufacturers also led to a further loss of sales in May, even though it is expected that from the month of June onwards it will be possible to return to approximately 85% of the production level of before the outbreak of the corona virus pandemic.

SMP is trying to counteract the situation in the best possible way and has been on short-time work throughout Germany since the end of March. Further details can be found in the chapters "Forecast Report" and "Risk and Opportunity Report". There are no other events of particular significance that occurred after the end of the financial year and are not included in the income statement or the balance sheet.

Schierling, 18 June 2020

SMP Automotive Exterior GmbH
General Manager

Andreas Heuser

SMP Automotive Exterior GmbH, Schierling

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				Net book values	
	1 Apr 2019	Additions	Disposals	Reclassifications	31 Mar 2020	1 Apr 2019	Additions	Disposals	31 Mar 2020	31 Mar 2020	31 Mar 2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets											
Franchises, industrial rights and similar assets and rights and licenses in such rights and assets	524,226.66	115,021.30	0.00	0.00	639,247.96	312,400.66	73,938.30	0.00	386,338.96	252,909.00	211,826.00
II. Property, plant and equipment											
1. Land, land rights and buildings buildings on third-party land	47,080,543.12	141,869.84	0.00	98,500.00	47,320,912.96	6,940,670.41	1,560,067.70	0.00	8,500,738.11	38,820,174.85	40,139,872.71
2. Technical equipment and machines	58,490,592.30	843,874.08	30,868.10	2,003,279.34	61,306,877.62	21,682,911.30	6,183,821.12	13,092.80	27,853,639.62	33,453,238.00	36,807,681.00
3. Other equipment, furniture and fixtures	1,966,550.11	91,277.47	2,629.34	46,795.25	2,101,993.49	1,126,796.11	383,405.72	2,485.34	1,507,716.49	594,277.00	839,754.00
4. Payments on account and assets under construction	2,203,355.59	208,693.00	0.00	-2,148,574.59	263,474.00	0.00	0.00	0.00	0.00	263,474.00	2,203,355.59
	109,741,041.12	1,285,714.39	33,497.44	0.00	110,993,258.07	29,750,377.82	8,127,294.54	15,578.14	37,862,094.22	73,131,163.85	79,990,663.30
III. Financial assets											
1. Shares in affiliated companies	26,544.00	0.00	0.00	0.00	26,544.00	0.00	0.00	0.00	0.00	26,544.00	26,544.00
	110,291,811.78	1,400,735.69	33,497.44	0.00	111,659,050.03	30,062,778.48	8,201,232.84	15,578.14	38,248,433.18	73,410,616.85	80,229,033.30

Management report of SMP Automotive Exterior GmbH, Schierling
Fiscal year from 1 April 2019 to 31 March 2020

I. Company background

a. Business model of the Company

The core business of SMP Automotive Exterior GmbH ("**SMP AE**" or the "**Company**") is processing plastics. SMP AE 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 AE's most important sales market is the German automotive sector.

The SMP AE is integrated into the SMP Group (SMP).

The Company supplies its products exclusively to the automotive market as a TIER 1 (system) supplier. The Company's customers include almost all German premium manufacturers, so Germany also accounts for 90.6% (prior year: 74.3%). of sales.
The share in revenue attributable to the other European countries came to 8.7% (prior year: 25.7%). For the first time, countries outside Europe accounted 0.7%. SMP AE's geographical proximity to the customers' product plants is indispensable due to the increasing integration of just-in-time and just-in-sequence deliveries of products to OEMs.

b. Objectives and strategies

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

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

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

SMP AE, founded in 2013, focused in fiscal 2019/20, with slightly lower capacity utilization at its plant in Schierling (Bavaria), on measures to increase the efficiency of its process organization and in particular on the acquisition of new orders.

c. Corporate governance

The goal-oriented governance of the Company is elementary to SMP AE'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 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. These group wide standards and principles are automatically communicated when hiring new employees and founding new companies. The General Works Agreement Governing Rules of Conduct for Business Dealings with Third Parties ("Anti-Corruption Policy") also describes the principles of constructive collaboration with customers, suppliers and other business partners. The declaration is reiterated by management and new hires each year.

d. Research and development

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

Lightweight construction plays a key role in our development activities. Compared to conventional energy carriers, the range of pure electric vehicles is limited and the weight is high due to the insufficient power density of the battery. The provision of solutions and concepts for reducing weight is therefore crucial for competition in the supplier industry. In this area, the developments of components which are strengthened using natural fibers or carbon fibers is worthy of mention. The challenges in this context are related to new processing methods or in the combination of processing methods. We achieved a great success in combining processes for processing semi-finished goods that have been reinforced using natural fibers. After implementing the large-scale production of matrices for interior door panels, this technology has now been introduced at Porsche for the first time in the new all-electric Taycan sports car. In this way, the weight of the supporting matrix was reduced further.

Our customers not only demand solutions for reducing weight, but also for decreasing the costs for parts due to the high costs for battery electric drive. We successfully used recycled carbon fibers for the center console carrier of the Porsche Taycan and for the instrument panel in the cockpit of the new 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. The development of such surfaces is also in the focus of our activities and will lead this calendar year to a completely new developed vehicle front, which we are building in a demonstrator for presentation to our customers.

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.

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

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

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

II. Report on economic position

a. General conditions

In 2019, global economic growth slowed down markedly compared to previous years. According to World Bank estimates, the global gross domestic product rose by only 2.4 percent last year - the smallest increase since the global financial crisis.

The trade dispute between the USA and China had a negative impact on global growth in 2019 as well. The growth in world trade was well below the long-term average, with strongly dampening effects on the industrial sector of the export-oriented economies. In addition, the uncertainties induced by trade policy led to restrained investment. Only consumption proved robust - growth was only slightly below previous years.

The gross domestic product of the industrialized countries increased last year by an estimated 1.6%, which is noticeably slower than in 2018. In comparison to previous years, economic output in the euro zone countries grew at a much slower rate of 1.1%. In the course of the year, some economies were on the verge of recession. In 2019, the UK's exit from the EU, which had not yet been resolved, continued to have a negative impact on economic development. Industrial production in the euro zone, which was below the previous year's figures in every calendar month of 2019, had a particularly dampening effect on economic growth. In particular, the lower demand from Asia due to increased trade policy tensions worldwide led to a decline in the export-oriented industrial sector. The German economy, as an important industrial location in the euro zone, was particularly affected by these effects. The German GDP grew by only 0.6% in 2019.

The economic development in the USA was also weaker than in 2018, with GDP rising by 2.3% in 2019. While the first quarter still showed a significant increase, annualized GDP growth rates in the following quarters only slightly exceeded the 2 percent mark. Private consumption, driven by tax cuts and a good employment situation on the US labor market, is robust. The unemployment rate fell to 3.5% at the end of the year. A lack of confidence and uncertainty, triggered by the intensified trade dispute with China, had a negative impact on investment activity and the industrial sector.

The developing and emerging economies reached economic growth of 3.5%. China's GDP, the most important engine of the global economy, rose by 6.1%. The slowdown in domestic demand, increased tensions in trade policy and the reduced investment activity due to uncertainty reduced the dynamism of the Chinese economy noticeably. The Indian economy is estimated to grow by only 5% in the fiscal year 2019/20, a much lower rate of growth. Economic growth in Brazil was slightly below the previous year with an estimated plus of 1.1%. The Russian economy also recorded a slower pace of growth in 2019 with an increase of 1.2%. In Mexico, economic growth came to a standstill in the past fiscal year (GDP growth ± 0%).

The global demand for passenger cars experienced a significant decline in 2019. Overall, around 5% fewer new cars were sold globally than in the previous year. The USA and Western Europe, which are the automotive hotspots with China, were able to close the year in a very robust manner.

China, on the other hand, as the largest passenger car market in the world, had the greatest negative impact on global sales. Overall, Chinese new car sales fell by almost 10 percent compared with 2018 - a drop of more than 2.2 million units. The main reason for this was the ongoing trade dispute with the USA, which considerably affected the economic climate and led to uncertainty among consumers. Cuts in purchase incentives for electric vehicles also had a negative impact on demand.

In the USA, sales of Light Vehicles fell by 1 percent to around 17 million units. Despite the economic slowdown, the good situation on the labor market and rising wages supported demand for new vehicles. Buyers continued to focus on the light truck segment, which grew by almost 3 percent. By contrast, the sales volume of passenger cars fell by 10 percent.

In the Western European passenger car market, new passenger car registrations in 2019 rose by almost 1% to 14.3 million units. However, this year was still marked by the distortions caused by the WLTP. Purchases brought forward to 2018 resulted in a weak first half of the year, while the second half showed double-digit growth rates in some cases. In the last month of the year in particular, new registrations were brought forward again, as from 2020 vehicle manufacturers will have to meet the strict CO_2 targets for new cars sold. The German passenger car market achieved strong growth of 5% to 3.6 million units - the highest volume since 2009. New registrations in France also rose by almost %. The remaining top 5 markets in Western Europe cannot keep up with this positive pace. In Italy, demand was only at the previous year's level despite the eco-bonus, while in Spain new passenger car registrations were down (-5%). In the UK, sales of new cars fell in 2019 for the third year in succession. With a minus of 2%, the market reached a volume of a good 2.3 million units.

In the Russian car market, the catch-up process was halted in 2019. Overall, sales of new cars fell by more than 2% to around 1.8 million light vehicles. With this result, the Russian vehicle market remained below its potential. The light vehicles market in Mexico showed no upward trend in the last few months of the year either. In the 2019 fiscal year, sales of new vehicles fell by almost 8%. Brazil was a positive exception in the group of emerging markets. There, demand for new vehicles in 2019 rose by almost 8% to around 2.7 million units.

A glance at Asia did not bring positive results outside China either. In India, demand fell in the course of the year, in some cases drastically, while the situation stabilized again slightly towards the end of the year. Nevertheless, a slowdown in the economy and the reluctance of consumers to buy high-priced goods led to a decline of almost 13% in the Indian passenger car market for the full year 2019. In Japan, the value-added tax was raised on October 1. This brought forward purchases, which, however, could not compensate for the decline in new passenger car registrations in the last quarter - the market volume fell by a solid 2%. In South Korea the temporary tax relief did not have a lasting effect - new passenger car registrations fell slightly by a modest 1% in 2019.

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

b. Significant factors in fiscal year 2018/2019

The financial year 2019/2020 was essentially characterized by the improvement and optimization of production. The company achieved an EBIT margin (after management reporting) of -0.7% (prior year: -1.0%).

<u>Human resources</u>
The Company’s human capital is one of its biggest competitive advantages. SMP AE employed 576 (prior year: 561) highly-qualified people in all parts of the Company (including trainees) as of the balance sheet date (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 and the expansion of the qualification matrix in all areas of the plant. The aim is to create a new concept, especially in the field of management development, which will enable shorter, target-oriented training sessions to deal with a large number of individual questions on a daily basis.

To fulfil the company's philosophy of covering new or vacant positions with internal employees, the training of future specialists is an essential success factor.
As of the balance sheet date, SMP Automotive Exterior GmbH therefore employed 9 trainees (prior: 12) and thus covers a wide range of different training professions. Specifically, the Schierling plant trains future specialists in three technical and two commercial professions. An important and growing component is also the cooperation with various universities. At the Schierling plant, SMP offers various

opportunities such as final theses or internships to give potential candidates an early insight into the production site.

An important channel of contact is the Excellence Partnership with the Eckert schools. These schools offer a wide range of further training opportunities for technician/master trainings. SMP Schierling promotes the best graduates and is actively involved in offering practical project work. For the department of industrial technologists, promotional awards are given to the three top graduates.

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

Compared to the previous year, the company's production volume in fiscal year 2019/2020 fell slightly due to lower call-off volumes. Thus, the main focus was placed on the optimization and improvement of the production processes.

Capital expenditure

In fiscal year 2019/2020, investments in property, plant and equipment amounted to around EUR 1.3m (prior year: EUR 2.1m). A major investment of EUR 0.7m related to an expansion of the paint shop.

IT

In the field of IT we are making use of the many different opportunities for working with the group entity MIND. This allows information technologies and services to be provided within the Group and cost-effectively. Furthermore, we continue to cooperate with our outsourcing partner T-Systems via SMP Deutschland GmbH.

Environment

Here at SMP AE, 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 AE meets its customers' demands in terms of reliability and quality. SMP AE's environmental management system has been certified and validated in accordance with DIN EN ISO 14001 and EC Regulation 1221/2009 (EMAS III). The occupational health and safety management system has been certified in accordance with OHSAS 18001.

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

Equity investments

As of the balance sheet date, the company held the following equity investments, which remained virtually unchanged from the previous year:

- 94.8% in SMP Real Estate GmbH, Gelnhausen

c. Position of the Company and development of its business

Financial performance

As forecasted in the previous year, **series revenue** was slightly below the previous year's sales at EUR 146.7m (prior year: EUR 151.4m).

Other revenue amounted to EUR 2.1m (prior year: EUR 0.7m). This primarily contains services to SMP group companies.

As of the balance sheet date, the company had signed contracts with a total volume of more than EU 753.7m at its disposal within the next five years. This revenue is mainly distributed among customers Daimler, BMW and Porsche. We see enormous additional potential in the future, especially with customers BMW and Porsche.

Other operating income totaled EUR 5.3m (prior year: EUR 9.1m), EUR 3.8m less than in the previous year. This is mainly due to the lower release of provisions and the decrease in expenses charged to affiliated companies.

The **ratio of cost of materials to total operating performance** came to 71.8% and was thus almost at the previous year's level of 71.1%.This is calculated as the cost of materials as a percentage of total operating performance (revenue +/- changes in inventories + own work capitalized).

Personnel expenses came to a total of EUR 30.9m (prior year: EUR 31.7k). The reduction was mainly due to the lower average number of employees over the year. In relation to total operating performance, the ratio of personnel expenses of 20.8% (personnel expenses ÷ total operating performance) was exactly the same as in the previous year (prior year: 20.8%).Average expenses per employee stood at EUR 53.9k.

Amortization totaled EUR 8.2m (prior year: EUR 8.2m).

The total of **other operating expenses** was EUR 12.4m (prior year: EUR 14.6m) and significantly lower than in the previous year. The main expense items were maintenance and technical consultation expenses amounting to EUR 3.3m (prior year: EUR 3.6m), leasing and rental expenses amounting to EUR 1.4m (prior year: EUR 1.7m), selling expenses of EUR 1.5m (prior year: EUR 2.6m) and costs charged by SMP Deutschland GmbH of EUR 1.7m (prior year: EUR 0.5m).

EBIT (Earnings Before Interest and Taxes) came to EUR -4.3m (prior year: EUR -1.4m), which represented -2.9% of total operating performance (prior year: -0.9%).

The **financial result** came to EUR -2.2m on the balance sheet date (prior year: EUR -2.5m). This improvement resulted mainly from the partial repayment of the loan granted by Samvardhana Motherson Automotive Systems Group B.V.

Financial position

Cash flow from operating activities amounted to EUR 12.0m at the end of the year. Cash flow from investing activities came to EUR -1.4m. Cash flow from financing activities amounted to EUR -8.0m. This led to a net change in cash and cash equivalents of EUR 2.6m.

As a result of the bonds issued in previous years by the Dutch holding company Samvardhana Motherson Automotive Systems Group BV (SMRP BV), the refinancing of the SMP Group and thus also of SMP Automotive Exterior GmbH has changed significantly. Land charges and assignments of fixed and current assets were granted as collateral for the bond.

The company had no external bank credit lines at its disposal as of the reporting date.

SMP AE is currently financed exclusively by an internal loan. For this purpose, a long-term company loan of SMRP BV in the amount of EUR 100.0m is available, of which EUR 36.5m (prior year: EUR 44.5m) was drawn down on the balance sheet date.

Receivables amounting to EUR 13.9m (prior year: EUR 14.4m) had been sold as of the balance sheet date based on factoring agreements concluded in previous years.

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

Trade credit insurance companies once again underwrote business for the Company in 2019/2020.

Assets and liabilities

Compared to the previous year, the balance sheet total was EUR 4.3m higher and thus amounted to EUR 109.0m (prior year: EUR 104.7m). As a result of the increase in total assets, the equity ratio fell slightly to 15.4% (prior year: 16.0%).

Non-current assets amounted to EUR 73.4m on the balance sheet date (prior year: EUR 80.2m).

Current assets amounted to EUR 35.6m on the balance sheet date (prior year: EUR 24.5m), and were thus EUR 11.1m higher. Medium to long-term current assets amounted to EUR 3.9m (prior year: EUR 2.8m) for tooling cost reimbursement claims from engineering orders.

Short-term current assets of EUR 31.7m (prior year: 21.7m) were EUR 9.9m higher than in the previous year.

Other provisions increased by EUR 6.2m to EUR 33.0m (prior year: EUR 26.8m).
The increase of EUR 5.6m mainly related to provisions for the sales area.

In terms of the ROCE performance indicator determined on the basis of management reporting, the return on capital employed is still negative but improved from -2.5% to -1.9%. This is due to the improved operating profit (EBIT) and the lower capital employed contrary to the prior-year forecast.

Overall statement regarding the progress of business

The progress of SMP AE’s business in 2019/20 surpassed expectations. While the sales target was achieved, the targeted EBIT (after management reporting) was clearly exceeded, but is still negative at EUR -1.0m. This makes us optimistic for the future, because the variously implemented measures for optimizing processes in serial production are sustainable and suitable for increasing production efficiency in the long term.

III. Forecast, opportunities and risks

a. Forecast

Forecast regarding the economy and automotive market

In its January 2020 report, the World Bank predicts global economic growth of 2.5% for the current year - slightly higher than 2019. The pace of growth in the industrialized countries is thus losing momentum once again (+1.4%). In contrast, the World Bank expects the pace of growth in the developing and emerging countries to accelerate (+4.1%). Among the industrialized countries, the World Bank expects the US economy in particular to lose momentum (GDP growth forecast 2020: +1.8%), with the euro zone remaining on its low growth path (+1.0%). In Japan, the rate of growth is expected to slow down further as a result of last year's increase in value-added tax (+0.7%).

Among the emerging markets, according to the World Bank's January 2020 forecasts, China is showing slightly weaker momentum this year than in 2019 (+5.9%). The World Bank expects the Indian economy to regain pace in 2020/21 (+5.8%) and the Latin American countries to grow more strongly than in 2019. For Russia, the World Bank expects GDP to grow by 1.6% in 2020.

For the global passenger car market, the German Association of the Automotive Industry expects a further decline of 1% in 2020. As in 2019, growth drivers in the major automobile markets will continue to be lacking in the current year.

The VDA is forecasting a decline in the Chinese passenger car market with a low negative rate (-2%). The market for light vehicles in the USA will also fail to reach the level of 2019 (-3%). According to the VDA, the new CO2 regulations will have a negative effect in Europe, meaning that the VDA expects the European passenger car market to decline by 2%.

Economic impact of the Corona virus pandemic

The spread of the new corona virus (COVID-19), which is now occurring on all continents, is leading to a crisis that is significantly depressing the economic outlook for 2020. In its April issue of the World Economic Outlook Report, the International Monetary Fund (IMF) predicts a 3.0% decline in global economic output in 2020. For the industrial countries, the IMF expects a decline of 6.1%. For the developing and emerging countries, the IMF forecasts a decline of 1%.

The increasing number of corona infections in China from January 2020 onwards made it necessary to shut down cities and regions and take further government measures to control the epidemic. This also had an impact on the automotive sector, where plants of vehicle manufacturers were also closed. From April onwards, the gradual path to normalization began with the loosening of government measures.

Due to the spread of the disease on the European and American continents, it was necessary to take state measures to avoid contact and to quarantine the infected areas in order to reduce the speed of the infection. At this point in time, all production sites in Germany have resumed production after the lockdown. While May was still mainly characterised by start-up and test phases, we expect the situation to normalise further from June onwards, although production will not yet reach pre-crisis levels.

The spread of the corona virus is expected to have negative effects on the global automotive industry in 2020, both on the demand and production side. However, an exact estimate of the extent of these effects cannot be made at the present time. At the moment, it is not possible to predict how long and to what extent measures will have to be taken to contain the virus, and to what extent the demand for cars will be affected by economic losses. The German Association of the Automotive Industry has not yet issued any adjusted forecasts on this matter.

Company-specific forecast

Sales are expected to be significantly lower than in the previous year, as the lock-down by COVID-19 will lead to considerable sales losses in the first quarter of the 2020/21 financial year. We expect that from the month of June 2020 onwards, sales will be approximately 85% lower than in the previous year. Therefore, the focus is on the further optimization of our processes. The main objective is to adjust the company's cost structure to these new revenues, in particular by short-time working.

For the financial year 2021/22 to 2023/24, we are forecasting an increase in employment again on the basis of our order portfolio. Due to additional Porsche programs and a significant increase in follow-up and new projects at BMW, sales revenues are expected to exceed EUR 200m from the 2022/23 financial year onwards.

Based on our internal performance indicator, the EBIT calculated after management reporting, we expect a negative EBIT of EUR -4.6m for fiscal year 2020/21 due to the volume reduction. This also has a negative impact on the ROCE indicator. Due to the rising capacity utilization situation and the related sales from 2021/22 onwards, we expect to generate positive EBIT again from fiscal 2021/22 onwards.

In the past year, CIP measures were again implemented in both production and administration. The consistent pursuit of measures and ideas for the continuous improvement of our processes have contributed to compensating for the price reductions contractually promised to customers and also for any price increases on the procurement side.

In order to meet the requirements for 2020/21, the Company has sufficient financing available in the form of loans from SMRPBV Group companies, leasing agreements, factoring and supply chain financing.

b. Risk report

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

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

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

Risk management

SMP AE’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 allow 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 AE's management with the aim of enhancing the Company's competitive advantages. One important source of information is regular participation in the relevant associations (VDA/VDI), attending relevant trade fairs and events, and systematically analyzing discussions with suppliers.

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

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

Market risks

On account of its product structure and customer base, SMP AE 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 AE'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 AE'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 AE 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.

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

The automotive industry is generally subject to market fluctuations, which can, for example, be influenced by trends in the global financial market as well as turbulence in the euro zone. The economic development of the “BRIC” countries plays an important role in the global growth of global car sales. However, social, infrastructural, economic and political developments in these regions are difficult to predict.

There is also always a latent risk of declining call-offs from the Volkswagen Group, BMW and Daimler as a result of the accusations of manipulation relating to the emissions figures for diesel vehicles. We also see this latent risk with respect to Porsche on account of new exhaust testing cycles/processes. There already was a noticeable decline in revenue with our customers as a result of this in fiscal year 2019/20. 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 determining the current market environment and, due to the crisis management of governments and companies, is leading to considerable restrictions, measures and changes in behavior worldwide, which are having a significant impact on market demand, especially for automobiles. Temporary production shutdowns are the consequence. The duration until the resumption of production, a rise in demand for automobiles and a stable start to the supply chain are currently unknown factors that make routine work more difficult and pose existential risks for companies. The companies' main focus is therefore on securing their existence and liquidity. The corona-related decline in the automotive market poses a high risk for the 2020/21 financial year, combined with low predictability of when market conditions will return to normal.

In the current market environment, the risks described above for the forecasted business can be classified as medium to high in terms of both the probability of occurrence and the impact on SMP AE.

Procurement risks

In the last quarter of the fiscal year, the global supply situation intensified continuously due to the COVID-19 pandemic. The supply of production could be ensured without restrictions. For this reason, the Company assumes that its assessment of procurement risks remains unchanged. 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 proportions to the procurement volumes specified by the customers by means of agreements with said customers that generally specify the raw materials/suppliers to be used. The willingness to consider at least two alternative raw materials in all projects resulted in a certain capacity to negotiate price increases to a limited extent. Contracts for the supply of energy and gas were generally concluded for a term of one year.

SMP AE’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. 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 leads to very short response times if required. In emergencies, there is an alternative production system already in place to prevent interruptions to customers’ production activities.

The location of the company is not situated in an area that is subject to an above-average risk of natural disasters. Regular checks 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 the production plant. 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 demand-oriented orientation of training, 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. Only the number of applicants for the training occupation on offer is not satisfactory. In this case, the qualification level of potential candidates may have to be raised by increasing the number of internal instruction units provided by training officers.

In 2019/20, university marketing was further consolidated by defining target universities and increasing the number of final theses of future graduates. In line with the target universities, measures were defined to present the company as an attractive employer to the relevant students. Of course, HR also successfully participates in regional and national university job fairs. In the areas of HR, industrial engineering and logistics planning, some of the final theses were subsequently accepted into employment with SMP AE.

Our objective for 2020/21 is to be perceived as an employer of choice through targeted measures in personnel marketing. The strategy development of an employer brand has already been successfully completed in the past. The "emcruit" employee recommendation program introduced in 2016/17 has proven its worth time and again for individual vacant positions.

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. Through our local occupational safety specialist, managers were trained in various internal training courses to prepare professional risk assessments. The implementation of shift models that are attractive in terms of health was also taken into account when adapting working time models at the plant.

The health risk is countered by further strengthening measures of the company health management system. In fiscal year 2019/2020, for example, a large number of individual campaigns were held on musculoskeletal, cardiovascular and psychological stress and possible individual countermeasures. At the end of the fiscal year, a Health Day was held at the plant for all employees in cooperation with a regional health insurance company. This included presentations focusing on "Health in shift work", which were given with great interest. Another measure is an employee-oriented cooperation model with a local health and fitness studio, which is supported by SMP.

Risks currently arise in the staffing of individual specialist functions in the area of quality management. In this area of work, the applicant situation is critical and requires an above-average amount of training.

We consider the likelihood of the personnel risks described above to be medium. Based on past experience of training and instructing new employees, this process can be completed at an additional effort. It may also be necessary to use external support, which may involve higher costs, but does not jeopardize customer supply.

The SMP AE was hit with great force by the corona crisis with partly considerable effects. Due to differentiated shut-downs and closing times of our customers, we have to fight with considerable losses in sales. The fastest reaction was to apply for short-time work at the responsible employment agency and to pursue the goal of implementing this consistently to reduce personnel costs. It is also important to note that it is currently necessary not to lose our specialized employees and to have them immediately available again during start- and ramp-up. In order to create a positive influence on the liquidity of the company, all legal possibilities were immediately exhausted and, among other measures, deferrals for social security contributions, contributions for severely disabled persons, contributions to the employers' liability insurance association and tax obligations were applied for and notified. As of today, measures are being developed and introduced in close cooperation with HSE/GUSI, the in-house doctor and the production areas in order to keep the risk of infection as low as possible when production starts within the company. Which further measures are necessary depends on the market-specific development and is difficult to predict today.

<u>IT risks</u>

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

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

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

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

An agreement dated 4 December 2014 transferred IT operations management from T-Systems to MothersonSumi Infotekk and Design GmbH (MIND). MIND is an internal company of the Motherson Group, as is SMP. The hosting contract with T-Systems remains unaffected.

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

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

The IT change management process has been expanded again, and in addition to prioritization and risk evaluation also includes clear specifications for testing as well as rollbacks in the event of errors. Approval is given by the “Change Advisory Board”, which meets every week to discuss and evaluate all of the consequences and risks to operations before giving approval. In addition, a comprehensive problem management system was introduced in order to avoid recurring problems 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 can be high.

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.

Receivable default risks are all but eliminated by means of the preventive assessment of the creditworthiness of non-OEM customers as well as the ongoing monitoring of compliance with agreed payment deadlines for all customers. Monitoring and creditworthiness assessments are also carried out regularly with respect to suppliers. Replacement suppliers are built up if critical trends are identified.

SMP AE’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.

Due to the current situation - caused by the worldwide spread of COVID-19 - a possible increase in margins of the factoring banks represents a further risk. The treasury department is in close coordination with the banks, but a margin increase - driven by the expected effects on the global financial markets.- cannot be completely ruled out at present.

We consider the likelihood of the financial risks described above eventuating 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 low.

Liability risks

SMP AE’s products can be classified as non-critical and not relevant for the purposes of vehicle safety.

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

The liability risks relating to harm to the environment can be considered low on account of the regular checks of technical equipment, checking and certification in accordance with DIN 14001:2004 and the compliance of the environmental management system with EC Regulation 1221/2009 pursuant to EMAS registration. All facilities that are relevant for environmental purposes are covered by environmental liability insurance. Furthermore, any claims against SMP AE on the basis of the Environmental Damage Act or other national implementation laws based on the EU 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 AE into the Samvardhana Motherson Group present numerous opportunities for savings for the Company. The Company has extensive opportunities to fall back on costeffective suppliers within the Group.

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

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

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

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

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

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

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

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

The company's order backlog has increased significantly compared to the previous year.

d. Overall opportunity and risk profile

Following a thorough assessment, the risks described above are manageable for SMP AE. 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 the affiliation to the Samvardhana Motherson Group, the good order backlog, the customer portfolio and the owner's customer relationships.

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

Due to the COVID-19 pandemic, we expect volatility in the first quarter of fiscal 2020/21, which will be largely cushioned by short-time working and flexible working time models in particular.

However, the exact extent of these fluctuations cannot be predicted at this stage.

IV. Advancement of women

Since November 2016, SMP AE has regularly employed more than 500 employees and is therefore obliged to establish a supervisory board pursuant to Sec. 1 (1) No. 3 of the German One-Third Participation Act. The establishment of the supervisory board is still pending. The management has not yet completed its deliberations on the establishment of a supervisory board with co-determination and will continue to focus on results in 2020/21. In addition, SMP is obliged under the "Act on the Equal Participation of Women and Men in Private Economy and Public Service" to set targets for the proportion of women in the management board and in the first two management levels below the management board even in the absence of a supervisory board. At the same time, deadlines must be set for the achievement of these target figures. Target figures and deadlines have not yet been set.

Schierling, 18 June 2020

SMP Automotive Exterior GmbH
General Manager

Andreas Heuser

Engagement Terms, Liability and Conditions of Use

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

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

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

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

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

[Translator's notes are in square brackets]

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

1. Scope of application

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

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

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

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

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

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

7. Deficiency rectification

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

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

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

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

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

11. Supplementary provisions for assistance in tax matters

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

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

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

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

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

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

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

12. Electronic communication

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

13. Remuneration

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

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

14. Dispute Settlement

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

15. Applicable law

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