

**Audit Report on Financial Statements  
issued by an Independent Auditor**

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.  
(SOCIEDAD UNIPERSONAL)  
Financial Statements and Management Report  
for the year ended March 31, 2020**



## **AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR**

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Sole Shareholder of SMP Automotive Technologies Teruel, S.L., Sociedad Unipersonal:

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### **Opinion**

We have audited the financial statements of SMP Automotive Technologies Teruel, S.L., Sociedad Unipersonal (the Company), which comprise the balance sheet as at March 31, 2020, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at March 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

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### **Basis for Opinion**

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### **Most relevant audit issues**

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the financial statements of the current period. These risks were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

### *Revenue recognition*

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**Description** The Company recognizes revenue from sales of components based on the delivery terms agreed with each customer, and provided no obligation pending fulfillment exists that may affect the acceptance of the products by the customer. Revenue recognition is an area subject to material misstatement, in particular regarding the appropriate temporary recognition of revenue in the corresponding period. Consequently, it has been considered a most relevant audit issue.

### **Our response**

Our audit procedures consisted, among others, in:

- ▶ Understanding the revenue recognition policies and procedures applied by the Company.
- ▶ Performing cut-off procedures for a sample of sale transactions recorded at a date close to year end to check that they have been recognized in the correct period.
- ▶ Performing analytical review procedures regarding the evolution of sales to identify unusual evolutions.
- ▶ Reviewing at year end the reasonableness of the main assumptions considered by Company Management regarding the provisions for trade transactions with customers, and analyzing the main variations in comparison with the prior year.
- ▶ Obtaining confirmation of trade receivables at year end for a selected sample or, where appropriate, alternative procedures based on available supporting documentation.

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### **Emphasis of matter paragraph**

We draw attention to Note 2.b) to the accompanying financial statements, in which the directors describe their assessment of the impact that the global health emergency situation and the uncertainty caused by the coronavirus (COVID-19) may have on the Company. Our opinion is not qualified in respect of this matter.

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### **Other information: management report**

The other information refers exclusively the management report for the year ended March 31, 2020, the preparation of which is the responsibility of the Company's directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the management report is to assess and report on the consistency of the management report with the financial statements based on the knowledge of the entity we obtained while auditing the financial statements, and not including any information not obtained as evidence during the course of the audit. In addition, our responsibility is to assess and report on whether the content and presentation of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, the information contained in the management report is consistent with that provided in the financial statements for the year ended March 31, 2020 and their content and presentation are in conformity with applicable regulations.

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## Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Company, in accordance with the regulatory framework for financial information applicable to the Company in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. 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 financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 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 the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the 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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's directors 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.

From the significant risks communicated to the Company's directors, we determine those that were of most significance in the audit of the financial statements of the current period and are therefore the most significant assessed risks.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

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Xavier Pujol Pamies

May 28, 2020

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.**  
**(Sociedad Unipersonal)**

Financial statements for the year ended March 31, 2020 and  
Management report for the year ended March 31, 2020

*(Translation of financial statements and management report originally issued in Spanish.  
In the event of discrepancy, the Spanish-language version prevails)*

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### Management Report

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.**  
**(Sociedad Unipersonal)**

Balance at March 31, 2020 and 2019  
(Thousands of euros)

<b>ASSETS</b>	<b>Note</b>	<b>03.31.2020</b>	<b>03.31.2019</b>
<b>NON-CURRENT ASSETS</b>			
<b>Property, plant and equipment</b>	<b>5</b>	<b>3,245</b>	<b>3,383</b>
Land and buildings		1,759	1,844
Plant and other PP&E items		1,486	1,522
Property, plant, and equipment under construction and prepayments		-	17
<b>Deferred tax assets</b>	<b>13</b>	<b>143</b>	<b>305</b>
		<b>3,388</b>	<b>3,688</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>	<b>9</b>	<b>1,154</b>	<b>1,049</b>
Raw materials and other consumables		689	530
Work in progress (short production cycle)		292	339
Finished goods (short production cycle)		173	180
<b>Trade and other receivables</b>	<b>7, 8</b>	<b>1,929</b>	<b>1,827</b>
Trade receivables from sales and rendering of services		650	659
Receivables from group companies and associates		996	916
Other receivables from Public Administrations		283	252
<b>Cash and cash equivalents</b>	<b>10</b>	<b>42</b>	<b>30</b>
Cash		42	30
		<b>3,125</b>	<b>2,906</b>
		<b>6,513</b>	<b>6,594</b>

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.**  
**(Sociedad Unipersonal)**

Balance at March 31, 2020 and 2019  
(Thousands of euros)

EQUITY AND LIABILITIES	Note	03.31.2020	03.31.2019
<b>EQUITY</b>			
<b>Capital and reserves</b>	<b>11</b>	<b>2,799</b>	<b>2,696</b>
<b>Share capital</b>		<b>500</b>	<b>500</b>
Issued capital		500	500
<b>Reserves</b>		<b>821</b>	<b>819</b>
Legal and statutory reserves		337	337
Other reserves		484	482
<b>Profit / (loss) for the year</b>		<b>1,478</b>	<b>1,377</b>
		<b>2,799</b>	<b>2,696</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>Payables to group companies and associates</b>	<b>7, 12</b>	<b>-</b>	<b>1,225</b>
		<b>-</b>	<b>1,225</b>
<b>CURRENT LIABILITIES</b>			
<b>Payables to group companies and associates</b>	<b>7, 12</b>	<b>1,152</b>	<b>64</b>
<b>Trade and other payables</b>		<b>2,550</b>	<b>2,589</b>
Suppliers	7, 12	1,904	2,064
Suppliers, group companies and associates	7, 12	135	35
Employee benefits payable	7, 12	449	423
Other payables to Public Administrations		62	67
<b>Accruals</b>		<b>12</b>	<b>20</b>
		<b>3,714</b>	<b>2,673</b>
		<b>6,513</b>	<b>6,594</b>

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.**  
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Income statement for the year ended  
 March 31, 2020 and 2019  
 (Thousands of euros)

	Note	03.31.2020	03.31.2019
<b><u>CONTINUING OPERATIONS</u></b>			
<b>Revenue</b>	<b>14</b>	<b>14,696</b>	<b>13,952</b>
Sales of goods		14,696	13,952
<b>Changes in inventory of finished goods and work in progress</b>	<b>9</b>	<b>(54)</b>	<b>102</b>
<b>Cost of sales</b>		<b>(6,673)</b>	<b>(6,301)</b>
Consumption of raw materials and other consumables	14	(4,408)	(4,897)
Work performed by third parties		(2,278)	(1,403)
Impairment of goods for resale, raw materials and other consumables	9	13	(1)
<b>Other operating income</b>		<b>-</b>	<b>1</b>
Ancillary income		-	1
<b>Employee benefits expense</b>	<b>14</b>	<b>(2,703)</b>	<b>(2,744)</b>
Wages, salaries et al.		(2,193)	(2,328)
Social security costs, et al.		(510)	(416)
<b>Other operating expenses</b>		<b>(2,901)</b>	<b>(2,854)</b>
External services		(2,855)	(2,829)
Taxes		(28)	(27)
Losses on, impairment of and change in trade provisions	8	(18)	2
<b>Depreciation and amortization</b>	<b>5</b>	<b>(339)</b>	<b>(285)</b>
<b>Other gains and losses</b>		<b>2</b>	<b>-</b>
<b>OPERATING PROFIT / (LOSS)</b>		<b>2,028</b>	<b>1,871</b>
<b>Finance costs</b>		<b>(56)</b>	<b>(34)</b>
Payables to group companies and associates	17	(28)	(27)
Third-party borrowings		(28)	(7)
<b>Exchange gains (losses)</b>		<b>(1)</b>	<b>(1)</b>
<b>FINANCE RESULT</b>		<b>(57)</b>	<b>(35)</b>
<b>PROFIT / (LOSS) BEFORE TAX</b>		<b>1,971</b>	<b>1,836</b>
Income tax	15	(493)	(459)
<b>PROFIT / (LOSS) FOR THE YEAR</b>	<b>11</b>	<b>1,478</b>	<b>1,377</b>

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.**  
**(Sociedad Unipersonal)**  
Statement of changes in equity for the year ended  
March 31, 2020 and 2019  
(Thousands of euros)

**A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES**

	<b>03.31.2020</b>	<b>03.31.2019</b>
<b>PROFIT / (LOSS) FOR THE YEAR</b>	<b>1,478</b>	<b>1,377</b>
Total income and expenses recognized directly in equity	-	-
Total amounts transferred to income statement	-	-
<b>TOTAL RECOGNIZED INCOME AND EXPENSES</b>	<b>1,478</b>	<b>1,377</b>

**B) STATEMENT OF ALL CHANGES IN EQUITY**

	<b>Share capital</b>	<b>Reserves</b>	<b>Profit / (loss) for the year</b>	<b>Total</b>
<b>Balance at March 31, 2018</b>	<b>500</b>	<b>1,009</b>	<b>1,310</b>	<b>2,819</b>
Total recognized income and expenses	-	-	1,377	1,377
Transactions with shareholders and owners	-	(1,500)	-	(1,500)
- Dividends paid	-	(1,500)	-	(1,500)
Appropriation of 2018 profit/(loss)	-	1,310	(1,310)	-
<b>Balance at March 31, 2019</b>	<b>500</b>	<b>819</b>	<b>1,377</b>	<b>2,696</b>
Total recognized income and expenses	-	-	1,478	1,478
Transactions with shareholders and owners	-	(1,375)	-	(1,375)
- Dividends paid	-	(1,375)	-	(1,375)
Appropriation of 2019 profit/(loss)	-	1,377	(1,377)	-
<b>Balance at March 31, 2020</b>	<b>500</b>	<b>821</b>	<b>1,478</b>	<b>2,799</b>

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.**  
**(Sociedad Unipersonal)**

Cash flow statement for the year ended  
 March 31, 2020 and 2019  
 (Thousands of euros)

	Note	<u>03.31.2020</u>	<u>03.31.2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit / (loss) for the year before tax</b>		<b>1,971</b>	<b>1,836</b>
<b>Adjustments to profit</b>		<b>383</b>	<b>328</b>
Depreciation and amortization	5	339	285
Impairment losses	8, 9	(12)	9
Finance costs		56	34
<b>Changes in working capital</b>		<b>(242)</b>	<b>322</b>
Inventories		(75)	(27)
Trade and other receivables		(120)	289
Trade and other payables		(39)	63
Other current liabilities		(8)	(3)
<b>Other cash flows from/(used in) operating activities</b>		<b>(354)</b>	<b>(365)</b>
Interest paid		(56)	(34)
Income tax payments (Group)	15	(298)	(331)
<b>Cash flows from operating activities</b>		<b><u>1,725</u></b>	<b><u>2,121</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Payments on investments</b>		<b>(201)</b>	<b>(734)</b>
Property, plant and equipment	5	(201)	(734)
<b>Cash flows from/(used in) investing activities</b>		<b><u>(201)</u></b>	<b><u>(734)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Proceeds from and payments of financial liabilities</b>		<b>(170)</b>	<b>75</b>
Payables to group companies and associates		(170)	75
<b>Dividends and payments on other equity instruments</b>		<b>(1,375)</b>	<b>(1,500)</b>
Dividends	11	(1,375)	(1,500)
<b>Cash flows from/(used in) financing activities</b>		<b><u>(1,545)</u></b>	<b><u>(1,425)</u></b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at April 1		30	68
Cash and cash equivalents at March 31		42	30

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.**  
**(Sociedad Unipersonal)**

Notes to the financial statements for the year ended March 31, 2020  
(Thousands of euros)

**1. General information**

SMP Automotive Technologies Teruel, S.L., Sociedad Unipersonal (hereinafter the Company) was incorporated in Teruel on January 28, 2002 for an indefinite period of time. Its registered office and tax domicile are located at Polígono Azalenguas, s/n in Fuentes Claras (Teruel). The Company's main corporate purpose and activity consists in the manufacture and marketing of products, parts and components, entirely or partially made of plastic, plastic byproducts or similar materials, and logistic services for said parts, as well as the creation and development of painting lines for said components for the automotive industry. Its main industrial facilities are located at Polígono Azalenguas, Fuentes Claras (Teruel).

On November 23, 2011 the Company became part of Samvardhana Motherson Group through its direct parent company and sole shareholder SMP Automotive Technology Ibérica, S.L.U. The ultimate parent of the group is the Indian company Motherson Sumi Systems Limited and, consequently, the consolidated financial statements are filed with in India. The European Parent is the Dutch company Samvardhana Motherson Automotive Systems Group B.V., which files the consolidated financial statements of the European subgroup in the Netherlands. The translation thereof into Spanish is duly filed with the Barcelona mercantile registry. The registered office and tax domicile of the company SMP Automotive Technology Ibérica, S.L.U. are located in Polinyà del Vallès (Barcelona).

At March 31, 2020 SMP Automotive Technologies Teruel, S.L.U. does not constitute a decision-making unit with any other company domiciled in Spain, according to regulation No.13 of the Standards for the preparation of financial statements.

**2. Basis of presentation**

a) True and fair view

The financial statements have been prepared based on the Company's accounting records and are presented in compliance with prevailing mercantile legislation and Spanish General Accounting Plan approved by Royal Decree 1514/2007 and the amendments incorporated therein through Royal Decree 1159/2010 and Royal Decree 602/2016, to provide a true and fair view of the Company's equity, financial position and results of its operations, as well as the veracity of the cash flows recognized in the cash flow statement.

The figures included in the accounting statements that are part of the accompanying financial statements (balance sheet, income statement, statement of changes in equity and cash flow statement) and the notes thereto are presented in thousands of euros, which is the Company's presentation and functional currency, unless otherwise indicated.

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.**  
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Notes to the financial statements for the year ended March 31, 2020  
(Thousands of euros)

b) Critical issues concerning the assessment of uncertainty

In the preparation of the Company's financial statements, estimations have been made to determine the book value of some of the assets, liabilities, income and expenses. These estimations have been made based on the best information available at the end of the year. However, given the uncertainty inherent in them, future events could arise that oblige them to be modified in the coming years, which would be done, prospectively, where appropriate. This uncertainty is increased by the absence, for the time being, of an effective medical treatment against COVID-19, so the consequences for the Company's operations will largely depend on the evolution of the pandemic in the coming months, as well as the capacity of reaction and adaptation of the different national and international economic agents, and their impact on the automobile industry.

Given the current situation of uncertainty derived from COVID-19, the Company's Management has analyzed different future scenarios, concluding that none of them foresee significant impacts on the recoverability of property, plant and equipment or any other asset. Specifically, the Company's Management estimates that as of March 31, 2020, the provisions for impairment registered in relation to inventories and accounts receivable are sufficient to face the identified risks.

The most relevant estimates and judgments to the Company's financial statements are related to the following aspects:

Impairment of the value of non-current assets

The valuation of non-current assets, other than financial assets, requires estimates to be made by the Company's Management in order to determine their recoverable value, in order to assess possible impairment. The determination of this recoverable value is based on the budgets of the next years.

Useful lives of property, plant and equipment

Company Management determines the useful lives and corresponding depreciation charges of property, plant and equipment based on the life cycles projected thereof, which may be amended as a result of technical changes, among others.

Provision for risks and expenses

The Company recognizes provisions for risks, for which it makes judgments and estimates regarding the probability of risk occurrence and the amounts related to those risks, and recognizes a provision when a risk is considered probable, estimating the cost that might arise from this obligation.

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Notes to the financial statements for the year ended March 31, 2020  
(Thousands of euros)

c) Going concern principle

The accompanying financial statements have been prepared in accordance with general accepted accounting principles in Spain, including the going concern principle. Even though as of March 31, 2020, the Company has a negative working capital in the amount of 589 thousand euros (mainly due to the credit granted by its sole partner (SMP Automotive Technology Ibérica, S.L.U.) in the amount of 1,055 thousand euros, which is registered in the short term, as it expires on December 31, 2020), the Company's Directors consider this accounting principle to be applicable since the operating result and the operating cash flows (understanding as such the operating result plus amortization/depreciation expense) are positive and has the financial support of the group to which it belongs.

The impact of COVID-19 on supply chains has caused the temporary closure of all automotive factories in Spain. Consequently, the Company, in turn, has stopped production from March 14 to April 27, at which time it has gradually started to operate as vehicle manufacturers resume production at their respective plants.

It has been estimated that the global automotive industry could decrease by around 10% in 2020, although this decline will depend on the evolution of the pandemic in the coming months, as well as on the capacity of reaction and adaptation of the different economic agents, both nationally and internationally. The productive, labor (Note 14) and financial measures taken by the Company, as well as the good financial situation of the Company, allow to face this situation with a reasonable absorption of the impact derived from the drop in sales.

d) Comparison of information

In accordance with Spanish mercantile law, for comparative purposes the Directors of the Company have included, for each of the headings presented in the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and the quantitative information required in the notes thereto, the figures of the year ended March 31, 2019, in addition to those of the year ended March 31, 2020.

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.**  
**(Sociedad Unipersonal)**

Notes to the financial statements for the year ended March 31, 2020  
(Thousands of euros)

**3. Accounting principles**

The most significant accounting principles applied in the preparation of the financial statements are as follows:

**3.1 Property, plant and equipment**

**a) Initial recognition**

Property, plant and equipment items are measured at the purchase price or production cost, using the same principles as those to determine the production cost of inventories. Capitalized production costs are recognized under 'Work performed by the entity and capitalized' in the income statement. Property, plant and equipment items are carried at cost, less any accumulated depreciation and any accumulated impairment.

**b) Depreciation**

Property, plant and equipment items, except for buildings, which are not depreciated, are depreciated by systematically allocating their depreciable amount over their useful lives. To this end, depreciable amount is understood as acquisition cost less residual value. The Company determines the depreciation charge separately for each component that has a significant cost in relation to the total cost of the item and a useful life different to that of the other parts of the item in question.

The depreciation of items in property, plant, and equipment is determined by applying the following criteria:

	<b>Depreciation method</b>	<b>Years of estimated useful life</b>
Buildings	Straight-line	33
Plant and machinery	Straight-line	5 - 20
Other plant, tools and furniture	Straight-line	10
Other property, plant and equipment	Straight-line	10

The Company reviews the assets' residual values, useful lives and depreciation methods at year end. Any changes in the initial criteria are accounted for prospectively as changes in accounting estimates.

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.**  
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Notes to the financial statements for the year ended March 31, 2020  
(Thousands of euros)

c) Subsequent costs

After initial recognition of the asset, only costs incurred that increase the capacity or productivity or extend the useful life are capitalized. The carrying amount of items that are replaced is derecognized. Costs of daily maintenance of property, plant and equipment items are recognized in the income statement as incurred.

d) Impairment of assets

The Company evaluates and determines impairment losses on property, plant and equipment items and any reversals thereof in accordance with the criteria described in Note 3.2.

3.2 Impairment losses on non-financial assets

Depreciable assets are tested for impairment whenever an event or changes in circumstances indicate that their carrying amount may not be recoverable. The excess of the carrying amount of an asset over its recoverable amount, deemed the higher of fair value less costs to sell or value in use, is recognized as an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impaired non-financial assets other than goodwill are reassessed at each reporting date for potential reversal of the impairment.

3.3 Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included under current assets, except for those whose maturities exceed 12 months from the balance sheet date, in which case they are classified as non-current assets.

These financial assets are measured initially at their fair value, including directly attributable transaction costs, and subsequently at amortized cost recognizing accrued interest at the effective rate. The effective interest rate is the rate that equates the carrying amount of the instrument with the total estimated cash flows to maturity. Nevertheless, trade receivables which mature within less than one year are carried at nominal value both at initial and subsequent recognition, when the effect of not discounting cash flows is insignificant.

Loans and receivables are tested for impairment at least at each reporting date and the corresponding impairment losses are recognized when there is objective evidence that all amounts due will not be collected.

Impairment losses are recognized at the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the initial recognition date. Impairment losses and any subsequent reversals are recognized in the income statement.

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.**  
**(Sociedad Unipersonal)**

Notes to the financial statements for the year ended March 31, 2020  
(Thousands of euros)

**3.4 Inventories**

Stocks are valued at its acquisition price or production cost.

The acquisition cost comprises the amount invoiced by the supplier, after deduction of any discounts, rebates or other similar items, as well as interest included in the nominal value of trade payables, plus any additional costs incurred until the goods are available for sale, and other costs directly attributable to the acquisition.

Trade discounts granted by suppliers are recognized as a cost reduction of the acquired inventories as soon as it is probable that the necessary conditions to qualify for the discounts will be met, and the excess amount, if any, will be recognized by reducing provisions in the income statement.

The production cost of inventories includes the acquisition cost of raw materials and other consumables and the costs directly related to the units produced and a portion systematically calculated of the either variable or fixed indirect costs incurred during the transformation process.

When the cost of inventories exceeds net realizable value, materials are written down to net realizable value, and an expense is recognized in the income statement. Raw materials and other consumables used in production are written down if the finished products in which they are incorporated are expected to be sold above cost. If the circumstances causing the write-down disappear, the corresponding amount is reversed and recognized in the income statement.

The net realizable value is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale, as well as the estimated costs of completion in the case of raw materials and work in progress.

**3.5 Cash and cash equivalents**

Cash and cash equivalents include cash on hand and demand deposits in financial institutions.

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3.6. Financial liabilities

Debits and payables

This heading includes trade and non-trade payables. These borrowings are classified as current liabilities, except when the Company has the unconditional right to defer their settlement for at least 12 months from the balance sheet date.

These debts are initially recognized at fair value less directly attributable transaction costs, and are later recognized at their amortized cost calculated using the effective interest rate method. The effective interest rate is the discount rate that equates the carrying amount of a financial instrument to the expected flow of future payments until the maturity of the liability.

Nevertheless, trade payables which mature within 12 months and do not have a contractual interest rate are carried at nominal value both at initial and subsequent measurement when the effect of not discounting cash flows is not significant.

3.7 Current and deferred taxes

The Company files the corporate income tax under a consolidated tax scheme, to which it has availed itself by being part of the SMP Group, the parent of which is SMP Automotive Technology Ibérica, S.L.U.

Income tax expense or income is the amount of income tax accrued for the year and includes current and deferred tax expense or income.

Current and deferred income tax is recognized in the income statement except where it relates to a transaction or event which is recognized in the same or a different period in equity or arises from a business combination.

Current tax assets or liabilities are measured at the amount expected to be recovered or paid from the tax authorities, using the tax legislation in force or approved and pending publication at the reporting date.

The accrued income tax expense of group companies which file a consolidated tax return is determined taking into account the following factors in addition to the aforementioned parameters applied to their individual tax returns:

- Temporary and permanent differences arising from the elimination of results of transactions between tax group companies for determining the consolidated taxable profit.
- Deductions and rebates corresponding to each company of the tax group filing a consolidated return; to this end, deductions and rebates are allocated to the company that carried out the activity or generated the income which entitles it to the deduction or rebate.

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Reciprocal debit and credit balances arise for the portion of tax losses generated by some tax group companies and the companies that offset them. Where tax losses arise that cannot be offset by other tax group companies, these tax credits for tax loss carryforwards are recognized as deferred tax assets, if the criteria for their recognition indicated below are met, considering the tax group as the taxpayer.

Deferred taxes are calculated, using the liability method, on temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts.

However, deferred taxes are not recognized when they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which these assets may be utilized.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the periods when the assets are expected to be realized or the liabilities are expected to be settled, using the tax legislation in force or approved and pending publication, and in accordance with the manner in which the Company expects to recover the assets or settle the liabilities.

The Company only offsets income tax assets and liabilities if it has a legally enforceable right to offset the recognized amounts and intends either to settle the resulting amounts on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognized in the balance sheet as non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

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3.8 Employee benefits

Termination benefits

Termination benefits are paid to employees when a company decides to terminate their labor contract before they reach retirement age or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it has a demonstrable commitment to terminate labor contracts under an irrevocable, formal, and detailed plan or to provide the benefits as part of an offer to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

3.9 Provisions and contingent liabilities

Provisions are recognized when the Company has a legal, contractual, implicit or tacit present obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognized as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is determined before taxes, considering the time value of money, as well as the specific risks that have not been considered in the future cash flows related to the provision at each reporting date.

The Company recognizes the rights and trade commitments and risks with customers that are considered probable and records them under 'Trade receivables from sales and rendering of services' in the assets side of the balance sheet and 'Revenue' in the income statement. At March 31, 2020 the provision for this concept amounts to 133 thousand euros (171 thousand euros at March 31, 2019).

The financial effect of provisions is recognized as financial expenses on the income statement.

If it is no longer probable that an outflow of resources will be required to settle an obligation, the provision is reversed.

Contingent liabilities, meanwhile, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized in the financial statements but are disclosed in the accompanying notes.

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3.10 Revenue recognition

a) Revenue from sales

Revenue is recognized at fair value of the consideration received or receivable and represents amounts receivable for goods delivered and services rendered in the normal course of business activity, less refunds, rebates, discounts, and VAT.

Revenue is recognized when it can be reliably measured, and when economic benefits are likely to flow to the Company. Revenue cannot be measured reliably until all sales-related contingencies have been resolved. The Company makes estimates based on past experience, taking into account the type of client, type of transaction, and particular terms of each agreement.

b) Interest

Interest is recognized using the effective interest method.

3.11 Leases - Company as lessee

Operating leases

Leases under which the lessor retains substantially all the risks and benefits inherent to ownership of the asset are classified as operating leases.

Lease payments under an operating lease, net of incentives received, are recognized as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the lease's benefit.

3.12. Related-party transactions

As a general rule, intragroup transactions are initially recognized at fair value. If the price agreed differs from fair value, the difference is recognized based on the economic substance of the transaction. Subsequent measurement follows prevailing accounting rules.

3.13 Environment

The Company carries out activities whose primary purpose is to prevent, reduce or repair damages that may be caused to the environment as a result of its operations.

Expenses from environmental activities are recognized under 'Other operating expenses' in the income statement when incurred.

Assets which may be incorporated in equity in the long term for the primary purpose of minimizing environmental impact and protecting or improving the environment, including the reduction or elimination of future contamination caused by the Company's operations, are recorded as assets based on measurement, presentation and disclosure criteria that are consistent with those described in Note 3.1.

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3.14 Transactions in foreign currency

The Company's functional and presentation currency is the euro.

Transactions in foreign currency are initially translated at the spot rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. All exchange gains or losses arising from translation as well as those resulting on settlement of balance sheet items are recognized in the income statement.

**4. Financial risk management**

4.1 Financial risk factors

The Company's activities are exposed to various financial risks: market risk (including interest rate risk and price risk), credit risk, and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the Company's performance.

Within the risk management policy of the Group that it belongs to, the Company has a set of rules, procedures and systems in place aimed at identifying, measuring and managing the several categories of risk to ensure that the most relevant risks are correctly identified, assessed and managed and minimize the potential adverse effects on the Company's performance.

(i) Market risk

a) Interest rate risk

The Company has financial debts with group companies. These balances with group companies earn interest at floating rates (linked to Euribor). Consequently, its operating expenses and cash flows from operating activities are affected by changes in market interest rates.

b) Price risk

The Company is not significantly exposed to price risk of the raw materials used in its production process.

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(ii) Credit risk

The Company shows significant concentration of credit risk since its sales are highly concentrated in few customers. The Company has policies in place to ensure that sales are made to customers with an appropriate credit history.

Impairment losses on bad debts, review of individual receivables based on individual customer creditworthiness, current market trends and historical analysis of aggregate bad debts involve significant judgment.

(iii) Liquidity risk

The Company applies prudent management of liquidity risk, ensuring that it has available funding through committed credit facilities. Management monitors the Company's liquidity reserve, within the Group cash management framework, based on expected cash flows (Note 2.c).

**5. Property, plant and equipment**

The movements in the items composing 'Property, plant and equipment' are as follows:

	Land	Buildings	Plant	Other plant, tools and furniture	Other PP&E items	Property, plant and equipment under construction	Total
<b>Balance at March 31, 2018</b>	<b>126</b>	<b>1,812</b>	<b>991</b>	-	<b>5</b>	-	<b>2,934</b>
Cost	126	3,095	11,926	82	208	-	15,437
Accumulated depreciation	-	(1,283)	(10,935)	(82)	(203)	-	(12,503)
<b>Net carrying amount</b>	<b>126</b>	<b>1,812</b>	<b>991</b>	-	<b>5</b>	-	<b>2,934</b>
Additions	-	-	717	-	-	17	734
Depreciation charge	-	(94)	(189)	-	(2)	-	(285)
<b>Balance at March 31, 2019</b>	<b>126</b>	<b>1,718</b>	<b>1,519</b>	-	<b>3</b>	<b>17</b>	<b>3,383</b>
Cost	126	3,095	12,643	82	208	17	16,171
Accumulated depreciation	-	(1,377)	(11,124)	(82)	(205)	-	(12,788)
<b>Net carrying amount</b>	<b>126</b>	<b>1,718</b>	<b>1,519</b>	-	<b>3</b>	<b>17</b>	<b>3,383</b>
Additions	-	8	210	-	-	-	201
Disposals	-	-	(12)	-	-	-	(12)
Transfers	-	-	17	-	-	(17)	-
Depreciation charge	-	(93)	(244)	-	(2)	-	(339)
Transfers accumulated depreciation	-	-	12	-	-	-	12
<b>Balance at March 31, 2020</b>	<b>126</b>	<b>1,633</b>	<b>1,485</b>	-	<b>1</b>	-	<b>3,245</b>
Cost	126	3,103	12,841	82	208	-	16,360
Accumulated depreciation	-	(1,470)	(11,356)	(82)	(207)	-	(13,115)
<b>Net carrying amount</b>	<b>126</b>	<b>1,633</b>	<b>1,485</b>	-	<b>1</b>	-	<b>3,245</b>

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a) Impairment losses

In 2020 and 2019, no impairment losses were recognized or reversed for any PP&E item.

b) Assets acquired from group companies and associates

No PP&E items were acquired from group companies or associates in 2020 and 2019.

c) Assets sold to group companies and associates

No PP&E items were sold to group companies or associates in 2020 and 2019.

d) PP&E items not assigned to operations

At March 31, 2020 and 2019 there were no property, plant and equipment items that had not been assigned to operations.

e) Fully depreciated assets

At March 31, 2020 fully depreciated property, plant and equipment items measured at amortized cost amount to 10,672 thousand euros (2019: 10,452 thousand euros).

f) Commitments

At March 31, 2020, the Company has not firm commitments to purchase property, plant and equipment items (2019: 1 thousand euros).

g) Insurance

The Company arranges insurance policies deemed necessary to cover potential risks which could affect property, plant and equipment. The coverage provided by these policies is considered sufficient.

**6. Operating leases**

The Company leases buildings and transport equipment from third parties under operating leases.

Operating lease payments recognized as expenses at March 31, 2020 amount to 40 thousand euros (2019: 34 thousand euros).

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The future minimum payments under non-cancelable operating leases are as follows:

	03.31.2020	03.31.2019
Within one year	25	20
Between one and five years	72	35
More than five years	-	-
	<b>97</b>	<b>55</b>

## 7. Analysis of financial instruments

### 7.1 Breakdown by categories

The carrying amount of each of the categories of financial instruments established in the standard for recognition and measurement of 'Financial instruments', excluding balances with Public Administrations, is as follows:

<b>Current financial assets</b>						
	<b>Equity instruments</b>		<b>Debt securities</b>		<b>Loans and other financial assets</b>	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019	31.03.2020	03.31.2019
- Trade receivables	-	-	-	-	650	659
- Receivables from group companies and associates	-	-	-	-	996	916
	-	-	-	-	<b>1,646</b>	<b>1,575</b>
<b>Non-current financial liabilities</b>						
	<b>Bank borrowings</b>		<b>Bonds and other marketable securities</b>		<b>Other payables</b>	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019	03.31.2020	03.31.2019
- Payables to group companies and associates	-	-	-	-	-	1,225
	-	-	-	-	-	<b>1,225</b>
<b>Current financial liabilities</b>						
	<b>Bank borrowings</b>		<b>Bonds and other marketable securities</b>		<b>Other payables</b>	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019	03.31.2020	03.31.2019
- Payables to group companies and associates	-	-	-	-	1,287	99
- Trade payables	-	-	-	-	1,904	2,064
- Other accounts payable	-	-	-	-	449	423
	-	-	-	-	<b>3,640</b>	<b>2,586</b>

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7.2 Breakdown by maturity

The amounts corresponding to financial liabilities with a fixed or determinable maturity classified by year of maturity are as follows:

	<b>03/31/2020</b>						
	<b>Financial assets</b>						
	<b>Until 03/2021</b>	<b>Until 03/2022</b>	<b>Until 03/2023</b>	<b>Until 03/2024</b>	<b>Until 03/2025</b>	<b>Subsequent years</b>	<b>Total</b>
- Trade receivables	650	-	-	-	-	-	650
- Trade receivables and investments in group companies and associates (Note 17)	996	-	-	-	-	-	996
	<b>1,646</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,646</b>

	<b>03/31/2019</b>						
	<b>Financial assets</b>						
	<b>Until 03/2020</b>	<b>Until 03/2021</b>	<b>Until 03/2022</b>	<b>Until 03/2023</b>	<b>Until 03/2024</b>	<b>Subsequent years</b>	<b>Total</b>
- Trade receivables	659	-	-	-	-	-	659
- Trade receivables and investments in group companies and associates (Note 17)	916	-	-	-	-	-	916
	<b>1,575</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,575</b>

	<b>03/31/2020</b>						
	<b>Financial liabilities</b>						
	<b>Until 03/2021</b>	<b>Until 03/2022</b>	<b>Until 03/2023</b>	<b>Until 03/2024</b>	<b>Until 03/2025</b>	<b>Subsequent years</b>	<b>Total</b>
- Payables to group companies and associates (Note 17)	1,287	-	-	-	-	-	1,287
- Trade payables	1,904	-	-	-	-	-	1,904
- Other accounts payable	449	-	-	-	-	-	449
	<b>2,585</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,640</b>

	<b>03/31/2019</b>						
	<b>Financial liabilities</b>						
	<b>Until 03/2020</b>	<b>Until 03/2021</b>	<b>Until 03/2022</b>	<b>Until 03/2023</b>	<b>Until 03/2024</b>	<b>Subsequent years</b>	<b>Total</b>
- Payables to group companies and associates (Note 17)	99	1,225	-	-	-	-	1,324
- Trade payables	2,064	-	-	-	-	-	2,064
- Other accounts payable	423	-	-	-	-	-	423
	<b>2,586</b>	<b>1,225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,811</b>

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7.3 Credit quality of financial assets

The credit quality of financial assets that have not yet matured and are not impaired may be evaluated through past default information. None of the unmatured financial assets has been the subject of re-negotiation in the current year.

8. Loans and receivables

At March 31, 2020 and 2019 the breakdown of the headings related to 'Loans and receivables' in the balance sheet, excluding balances with Public Administrations, is as follows:

<b>Trade and other receivables:</b>	<b>03.31.2020</b>	<b>03.31.2019</b>
- Trade receivables from sales and rendering of services	667	672
- Provision for receivables impairment	(17)	(13)
- Receivables from group companies and associates (Note 17)	996	916
	<b>1,646</b>	<b>1,575</b>

Trade and other receivables

The fair values of loans and receivables do not significantly differ from book values.

Trade receivables past due by less than 3 months are not deemed impaired. At March 31, 2020, 127 thousand euros of accounts receivable were past due (2019: 27 thousand euros), although no impairment losses have arisen. These past due accounts correspond to a series of independent customers that have no recent history of default. The ageing analysis of these past-due accounts receivables is as follows:

	<b>03.31.2020</b>	<b>03.31.2019</b>
Up to 3 months	96	13
More than 3 months	31	14
	<b>127</b>	<b>27</b>

The carrying amounts of loans and receivables are denominated in euros.

The movements in the provision for receivables impairment are as follows:

	<b>03.31.2020</b>	<b>03.31.2019</b>
<b>Balance at April 1</b>	<b>(13)</b>	<b>(15)</b>
- Charge to provision for receivables impairment	(18)	2
Provisions utilized	14	-
<b>Balance at March 31</b>	<b>(17)</b>	<b>(13)</b>

Impairment losses on receivables are recognized and reversed under 'Losses on, impairment of, and change in trade provisions' in the income statement.

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**9. Inventories**

The breakdown of this heading is as follows:

	<b>03.31.2020</b>	<b>03.31.2019</b>
Raw materials and other consumables	807	661
Work in progress and semi-finished goods	345	384
Finished goods	204	236
Impairment losses on raw materials and other consumables	(118)	(131)
Impairment losses on work in progress and semi-finished goods	(53)	(45)
Impairment losses on finished goods	(31)	(56)
	<b>1,154</b>	<b>1,049</b>

a) Insurance

The Company has taken out insurance policies to cover the risks to which its inventory items are exposed. The coverage provided by these policies is considered sufficient.

b) Impairment losses

The movement in the provision for impairment losses on inventories is as follows:

	<b>03.31.2020</b>	<b>03.31.2019</b>
<b>Balance at April 1</b>	<b>(232)</b>	<b>(221)</b>
Provision for inventories impairment	30	(11)
<b>Balance at March 31</b>	<b>(202)</b>	<b>(232)</b>

**10. Cash and cash equivalents**

The breakdown of 'Cash and cash equivalents' is as follows:

	<b>03.31.2020</b>	<b>03.31.2019</b>
Cash at banks	42	30
<b>Total</b>	<b>42</b>	<b>30</b>

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**11. Capital and reserves**

The breakdown and movements in equity are shown in the statement of changes in equity.

a) Share capital

At March 31, 2020 and 2019 the Company's share capital consists of 500,000 shares with a par value of 1 euros each.

All shares bear the same voting and economic rights. There are no treasury shares.

The Company's Sole Shareholder is SMP Automotive Technology Ibérica, S.L.U.

b) Reserves

The breakdown by concept is as follows:

	<u>03.31.2020</u>	<u>03.31.2019</u>
<b>Legal and statutory reserves:</b>		
- Legal reserve	337	337
	<u>337</u>	<u>337</u>
<b>Other reserves:</b>		
- Voluntary reserves	484	482
	<u>484</u>	<u>482</u>
	<u>821</u>	<u>819</u>

(i) Legal reserve:

The legal reserve must be allocated in accordance with article 274 of the Spanish Corporate Enterprises Act, which stipulates that 10% of profit for the year be set aside to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital.

This reserve is not distributable to the Sole Shareholder and may only be used to offset losses in the income statement provided no other reserves are available. The balance recorded in this reserve may be allocated to increase share capital.

ii) Voluntary reserves:

Voluntary reserves are freely distributable. Notwithstanding the foregoing, pursuant to article 273 of the Spanish Corporate Enterprises Act dividends may only be distributed against profit or freely distributable reserves if equity is not lower than share capital or would not become lower than share capital as a result of distributing dividends.

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c) Proposed appropriation of profit/(loss)

The proposed appropriation of profit to be submitted to the Sole Shareholder is as follows:

	<b>03.31.2020</b>	<b>03.31.2019</b>
<b><u>Basis of appropriation</u></b>		
Profit for the year	1,478	1,377
<b><u>Appropriation to:</u></b>		
Voluntary reserves	1,478	1,377

d) Limitations on the distribution of dividends

In accordance with article 273 of the Spanish Corporate Enterprises Act dividends may only be distributed against profit or freely distributable reserves if equity is not lower than share capital or would not become lower than share capital as a result of distributing dividends.

On September 14, 2019, the Sole Shareholder resolved to distribute dividends against freely distributable reserves for an amount of 1,375 thousand euros.

On October 18, 2018, the Sole Shareholder resolved to distribute dividends against freely distributable reserves for an amount of 1,500 thousand euros.

**12. Debits and payables**

At March 31, 2020 and 2019 the breakdown of the headings related to 'Debits and payables' in the balance sheet, excluding balances with Public Administrations, is as follows:

	<b>03.31.2020</b>	<b>03.31.2019</b>
<b>Non-current payables to group companies and associates (Note 17)</b>	<b>-</b>	<b>1,225</b>
<b>Current payables to group companies and associates (Note 17)</b>	<b>1,152</b>	<b>64</b>
<b>Trade and other payables:</b>	<b>2,488</b>	<b>2,522</b>
- Suppliers	1,904	2,064
- Suppliers, group companies and associates (Note 17)	135	35
- Employee benefits payable	449	423
	<b>3,640</b>	<b>3,811</b>

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a) Information on late payments to suppliers. Additional Disposition Three ‘Disclosure requirements’ of Law 15/2010, of July 5

The total amount of payments made to suppliers during the year, providing payment terms, in accordance with the legal payment deadlines set forth in Law 15/2010 of July 5, which establishes measures to be taken in combating arrears in commercial transactions, is as follows:

	<b>2020</b>	<b>2019</b>
	<b>Days</b>	<b>Days</b>
Average payment period to suppliers	41	40
Ratio of transactions paid	44	43
Ratio of transactions pending payment	20	18
	<b>Amount</b>	<b>Amount</b>
Total payments made	12,633	12,777
Total payments outstanding	1,718	1,734

**13. Deferred taxes**

The breakdown of deferred taxes is as follows:

	<b>03.31.2020</b>	<b>03.31.2019</b>
<b>Deferred tax assets:</b>		
- Temporary differences	143	157
- Tax credits for tax losses	-	148
	<b>143</b>	<b>305</b>

The movements in deferred tax assets are as follows:

	<b>03.31.2020</b>	<b>03.31.2019</b>
<b>Balance at April 1</b>	<b>305</b>	<b>472</b>
Charge to the income statement (Note 15)	(162)	(167)
<b>Balance at March 31</b>	<b>143</b>	<b>305</b>

Deferred tax assets for temporary differences at March 31, 2020 and 2019 mainly relate to temporary differences arisen as a result of the limitation on the deductibility of depreciation and amortization expenses in prior years in accordance with Royal Decree 12/2012.

It is Company and Group policy to recognize deferred tax assets when their recoverability is reasonably guaranteed by the tax group that the Company belongs to. Consequently, the Company has recognized deferred tax assets related to temporary differences and tax losses arisen in prior years since based on the forecasts for the tax group’s consolidated taxable profit according to the business plan prepared by the Sole Shareholder’s Management for the coming years, it is reasonably guaranteed that these deferred tax assets will be utilized against future taxable profit.

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At March 31, 2020 and 2019 unused tax loss carryforwards are as follows:

<b>Year</b>	<b>Taxable profit</b>	
	<b>03.31.2020</b>	<b>03.31.2019</b>
2009	-	285
2011	-	307
	<b>-</b>	<b>592</b>

The tax group that the Company belongs to has offset tax losses amounting to 15.907 thousand euros in 2020 (2019: 14,614 thousand euros).

At March 31, 2020 there are no unused deductions (none at March 31, 2019, either).

**14. Income and expenses**

a) **Revenue**

The geographical breakdown of revenue from the Company's ordinary activities is as follows:

<b>Market</b>	<b>03.31.2020</b>	<b>03.31.2019</b>
Spain	8,532	7,233
Rest of the European Union	6,139	6,713
Exports	25	6
	<b>14,696</b>	<b>13,952</b>

b) **Cost of sales**

The breakdown of consumption of raw materials and other consumables is as follows:

	<b>03.31.2020</b>	<b>03.31.2019</b>
Purchases in Spain	2,451	2,250
EU purchases	2,126	2,388
Imports	3	224
Purchase discounts	(26)	(50)
Changes in raw materials and other consumables	(146)	85
	<b>4,408</b>	<b>4,897</b>

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c) Employee benefits expense

	<b>03.31.2020</b>	<b>03.31.2019</b>
Wages, salaries et al.	2,193	2,328
Social security costs, et al:		
- Social security paid by the company	478	402
- Other employee welfare expenses	32	14
	<b>2,703</b>	<b>2,744</b>

The average headcount during the year by category is as follows:

<b>Professional category</b>	<b>03.31.2020</b>	<b>03.31.2019</b>
Management	8	7
Technicians and administrative staff	17	15
Operators	50	48
	<b>75</b>	<b>70</b>

The breakdown of the Company's headcount by gender at year end is as follows:

	<b>03.31.2020</b>			<b>03.31.2019</b>		
	<b>Men</b>	<b>Women</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
Management	5	3	8	5	2	7
Technicians and administrative staff	4	11	15	2	11	13
Operators	19	29	48	24	34	58
	<b>28</b>	<b>43</b>	<b>71</b>	<b>31</b>	<b>47</b>	<b>78</b>

During the year ended March 31st, 2020 and 2019 the average headcount with a disability equal to or greater than 33% is 1 person, who belongs to the 'Administrative staff' category.

Effective since March 14th, 2020, the Company has submitted a Temporary Employment Regulation File (ERTE) for Productive Causes that affects the entire headcount for three months. The headcount will reinstate to their workstations as production is reactivated from the end of April.

**15. Income tax and tax matters**

The Company files taxes under a consolidated tax scheme with the companies SMP Automotive Technology Ibérica, S.L.U., Samvardhana Motherson Peguform Barcelona, S.L.U., SMR Automotive Systems Spain, S.A.U. and SMR Automotive Technology Valencia, S.A.U., SMRC Automotive Interiors Spain, S.L.U. and Samvardhana Motherson Reydel Automotive Parts Holding, S.L.U.. The Parent Company of the tax group is SMP Automotive Technology Ibérica, S.L.U. In 2020, the companies SMRC Automotive Interiors Spain, S.L.U. and Samvardhana Motherson Reydel Automotive Parts Holding, S.L.U. have been included in the tax group.

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The reconciliation of net income and expenses for the year with tax results is as follows:

<b>03.31.2020</b>	<b>Income statement</b>		
	<u>Increase</u>	<u>Decrease</u>	<u>TOTAL</u>
Profit/(loss) before tax			1,971
Permanent differences	1	-	1
Temporary differences:			
- arising during the year	272	-	272
- arising in prior years	-	(320)	(320)
<b>Previous taxable income</b>	-		<b>1,924</b>
Utilization of tax losses			(592)
<b>Tax result</b>			<b>1,332</b>

  

<b>03.31.2019</b>	<b>Income statement</b>		
	<u>Increase</u>	<u>Decrease</u>	<u>TOTAL</u>
Profit/(loss) before tax			1,836
Permanent differences	-	-	-
Temporary differences:			
- arising during the year	270	-	270
- arising in prior years	-	(329)	(329)
<b>Previous taxable income</b>		-	<b>1,777</b>
Utilization of tax losses			(600)
<b>Tax result</b>			<b>1,177</b>

The reconciliation between income tax expense and the result of multiplying total recognized income and expenses by applicable tax rates is as follows:

	<u>03.31.2020</u>	<u>03.31.2019</u>
Income and expenses for the year before tax	1,971	1,836
Tax charge (25%)	493	459
	<b>493</b>	<b>459</b>

The breakdown of the income tax expense is as follows:

	<u>03.31.2020</u>	<u>03.31.2019</u>
Current income tax (net of deductions applied)	331	292
Deferred tax (Note 13)	162	167
	<b>493</b>	<b>459</b>

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Notes to the financial statements for the year ended March 31, 2020  
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The Company has recognized as current income tax the result of applying a 25% tax rate on the taxable profit and reduce it by 2 thousand euros (2 thousand euros in the prior year) due to deductions applied in the year. As indicated in Note 3.7, the Company files taxes under a consolidated tax scheme with its parent company SMP Automotive Technology Ibérica, S.L.U. Consequently, the result of the income tax return has been recognized as a payable balance to said company (Note 17.c), after deducting the payments on account made during the year amounting to 234 thousand euros (2019: 228 thousand euros).

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the inspection period has expired.

Since the Company files the income tax under a consolidated tax scheme, it is open to inspection by the tax authorities for the following taxes:

<u>Tax</u>	<u>Period</u>
Income tax	2017-2020
Value added tax	2017-2020
Personal Income Tax	2017-2020

As a result, amongst other things, of the varying possible interpretations of prevailing tax legislation, additional tax liabilities could arise in the event of a tax inspection. The directors consider, however, that these liabilities, if any, would not significantly affect the financial statements.

**16. Board of Directors and senior management**

a) Remuneration for Directors and senior management

During the years ended March 31, 2020 and 2019 the Directors of the Company did not receive any remuneration. At March 31, 2020 and 2019 they have not been granted any advance or loan, nor has the Company any pension plans or life insurance policies for them.

Senior Management duties are carried out by the Sole Shareholder and in the years ended March 31, 2020 and 2019 their remuneration is included as part of the charges received from the Sole Shareholder and recorded in the external services heading shown in the table transactions with the Group in Note 17.

Liability insurance premiums paid by the Company on behalf of the Directors in the years ended March 31, 2020 and 2019 are included in the charges received from the Group and recorded in the external services heading shown in the table transactions with the Group in Note 17.

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b) Conflicts of interest that the directors may have

In order to avoid situations that may represent a conflict of interest with the Company, during the year the directors who have held positions in the Board of Directors have met the obligations established in article 228 of the consolidated text of the Spanish Corporate Enterprises Act. Additionally, both they and their related parties have refrained themselves from incurring in any situations that may represent a conflict of interest as established in article 229 of the aforementioned act, except in the cases for which the corresponding authorization has been obtained.

**17. Other related-party transactions**

a) Sale of goods, services provided and interest

	03.31.2020	03.31.2019
<b>Sale of goods:</b>		
- Parent Company	6,020	5,625
- Other group companies	1,378	1,701
	<b>7,398</b>	<b>7,326</b>

b) Purchase of goods, services received and interest

	03.31.2020	03.31.2019
<b>Purchases:</b>		
- Other group companies	335	146
<b>Services received:</b>		
- Parent Company	599	622
- Other group companies	299	265
<b>Accrued interest:</b>		
- Parent Company	28	27
	<b>1,261</b>	<b>1,060</b>

The goods sold and purchased and services received by the Company from other group companies are directly related to the Company's own activity.

The services received from the Parent Company mainly relate to charges for corporate services.

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c) Year-end balances arising from sales and purchases of goods and services

	<b>03.31.2020</b>	<b>03.31.2019</b>
<b>Accounts receivable from related parties:</b>		
- Parent Company	679	535
- Other group companies	317	381
	<b>996</b>	<b>916</b>
<b>Accounts payable to related parties:</b>		
- Other group companies	135	35
- Loan parent company	1,055	1,225
- Income tax payable to the parent company (Note 15)	97	64
	<b>1,287</b>	<b>1,324</b>

On December 20, 2004 the Company signed a credit line with SMP Automotive Technology Ibérica, S.L.U. for a maximum limit of 6,000 thousand euros that matures on December 31, 2020. This agreement accrues interest at a floating market interest rate. At March 31, 2020 said credit line shows a credit balance amounting to 1,055 thousand euros, included in the 'Non-current payables to group companies and associates' caption (2019: 1,225 thousand euros).

d) Transactions between the Company and its Sole Shareholder

The Company files taxes under a consolidated tax scheme, with its sole shareholder SMP Automotive Technology Ibérica, S.L.U. as the tax group parent. Additionally, the Company enters into certain trade and financial transactions with it under a service contract. As described in section c) above, a credit facility has been granted to the parent as well.

**18. Information on environmental issues**

The breakdown of property, plant and equipment items aimed at minimizing environmental impact is as follows:

	<b>03.31.2020</b>			<b>03.31.2019</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>
Machinery	743	(490)	253	657	(463)	194
	<b>743</b>	<b>(490)</b>	<b>253</b>	<b>657</b>	<b>(463)</b>	<b>194</b>

Expenses incurred by the Company for environmental activities during the year ended March 31, 2020 amounted to 99 thousand euros (2019: 123 thousand euros).

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Notes to the financial statements for the year ended March 31, 2020  
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The Company's directors consider that any potential contingencies arising in connection with environmental matters are adequately covered by their third-party liability insurance policies.

No environmental grants have been received during the current year.

**19. Audit fees**

The fees paid during the year ended March 31, 2020 for audit services amounted to 12 thousand euros (2019: 12 thousand euros).

No fees were paid during the year ended March 31, 2020 to other companies that use the EY brand name (none were paid in the prior year, either).

**20. Guarantees**

On June 6, 2017 the company Samvardhana Moterson Automotive Systems Group, B.V. issued Senior Secured Notes for an amount of 300 million euros maturing in 2024, of which the Company is the guarantor.

On August 17, 2018 the credit line that the company Samvardhana Moterson Automotive Systems Group, B.V. had signed on June 20, 2017 (RCF Agreement) for an amount of 450,000,000 euros was extended by 75,000,000.00 euros. The Company is also de guarantor of said extension.

Additionally, on September 14, 2018 the company Samvardhana Moterson Automotive Systems Group, B.V. acted as the borrower of a new credit line ("New Term Facilities Agreement") amounting to 60,000,000.00 USD, and the Company acted as guarantor thereof.

**21. Subsequent events**

The impact of COVID-19 on supply chains has caused the temporary closure of all automotive factories in Spain. Consequently, the Company has suspended production from March 14 to April 27, 2020, at which time, activity has begun gradually as vehicle manufacturers have resumed production in their respective plants.

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It is estimated that the global automotive industry could decrease by around 10% in 2020, although this decline will depend on the evolution of the pandemic in the coming months, as well as on the capacity of reaction and adaptation of the different economic agents, both nationally and internationally. The productive, labor and financial measures made by the Company, as well as its good financial situation, will allow it to face this situation with a reasonable absorption of the derived impact of the drop in sales.

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Management report for the year ended March 31, 2020  
(Thousands of euros)

The Company's activity during the year comprised between April 1, 2019 and March 31, 2020 continues to be focused on the manufacture of painted bumpers, instrument panels, door panels and other components for the automotive industry.

In 2019 91.8 million vehicles were manufactured in the world, 5.2% fewer than in the prior year. By region, the largest volume was recorded in Asia-Oceania, where despite the decrease of 2.4 million units (-5.2%), 49.3 million units were manufactured. In this region, the main manufacturer was China, where 25.7 million units were produced, which means a decrease of 1.1 million units (-7.5%), followed by Japan, which decreased by 0.5% and produced a total of 9.7 million units, and India, which decreased by 12.2% and produced 4.5 million units. The European Union, which decreased by 0.9 million units (-4.7%) reached a volume of 17.7 million units. The rest of Europe reached a production volume of 3.6 million units. Americas, with 20.1 a million units produced, also showed a decreasing performance, with a decrease of 0.7 million units in South America (-3.6%) concentrated in Brazil, and a decrease in NAFTA (-3.7%), where the USA has a decrease of 0.4 million units (-3.7%), 0.1 million units were lost in Canada (-5.4%). Africa, which increased by +0.3%, reached a total volume of 1.1 million units produced.

Spain retained the second position in the European Union classification with a total volume of 2.8 million units produced, which means a 0.1% growth in comparison with the prior year. Exports have accounted for 82% of production and amount to 2.3 million units, which represents an increase of 0.2% in 2019. Germany has increased by 12.5% its Spanish vehicles importation meanwhile the United Kingdom has increased their orders by 13.6% (in despite of a decrease by 2.4% in its domestic market). Italy has increased by 1.7% their Spanish vehicle purchases. France has maintained its orders at the same level of last year. Among the four markets, they accumulate more than 64.8% of total exports. Also contributing to the recovery in exports was the growth shown by destinations such as Japan (with a growth in imports of Spanish vehicles of 121.0%), South Africa (24.9%), the United Arab Emirates (64.2%) , Israel (12.6%), Ukraine (152.7%) or Morocco (15.2%), destinations to which altogether 20,000 more vehicles were sent than a year ago.

In 2019 Spanish GDP increased by 2%, unemployment rate decreased to 14.1% and inflation was 0.8%. Registrations of passenger cars were over 1.3 million units, decreasing by 4.8% in comparison with the prior year, due to the bad behavior of the private channel, which decreased by 11.6%

During 2019-20 the Company invested 0.2 million euros in improvements in fire protection and containers). No R&D&i activities were carried out.

Sales amounted to 14.7 million euros and operating profit amounted to 2 million euros.

Headcount at year end was 71 employees, similar to last year.

During 2019-20 no transactions with treasury shares were carried out.

The cash flow generated by the Company (defined as operating result plus depreciation and amortization charge) amounted to 2.4 million euros, which allowed the Company to fund investments, meet working capital needs and improve its financial position. The average payment period for trade transactions was 41 days.

**SMP AUTOMOTIVE TECHNOLOGIES TERUEL, S.L.**  
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Management report for the year ended March 31, 2020  
(Thousands of euros)

The Company continued building up trust among its customers and secured new orders that will allow it to retain its industry leadership.

The impact of COVID-19 on supply chains has caused the temporary closure of all automotive factories in Spain. Therefore, the company, in turn, has suspended production from March 14 to April 27, at which time, activity has started gradually as vehicle manufacturers resume production in their respective plants.

It is estimated that the global automotive industry could decrease by around 10% in 2020. The productive, labor and financial measures made by Company, as well as the good financial situation of the Company, will allow it to face this situation with a reasonable absorption of the derived impact of the drop in sales.

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Authorization for issue of the financial statements for the year ended March 31, 2020 and  
Management report for the year ended March 31, 2020

In compliance with article 253 of the Spanish Corporate Enterprises Act and article 37 of the Spanish Code of Commerce, on 8 May, 2020 the Board of Directors of SMP Automotive Technologies Teruel, S.L.U. authorize for issue the financial statements and management report for the year ended March 31, 2020, consisting of the foregoing documents.

(Signature on the  
original in Spanish)

\_\_\_\_\_  
Andreas Heuser  
Chairman

(Signature on the  
original in Spanish)

\_\_\_\_\_  
Peter Vollprecht  
Board member

(Signature on the  
original in Spanish)

\_\_\_\_\_  
Cezary Zawadzinski  
Board member

(Signature on the original in Spanish)

\_\_\_\_\_  
Miguel Pelayo  
Secretary, non-board member

For identification purposes, the secretary non-board member of the Board of Directors, Mr. Miguel Pelayo, hereby signs all the pages of the financial statements and management report as delegated by the Company's directors.