

**Annual Report for the period  
from 1 January 2019 to 31 March 2020**

**MSSL ADVANCED POLYMERS s.r.o.**  
with its registered address at Dašická 287,  
533 75 Dolní Ředice

**Business registration number (IC): 60108576**

**Commercial Register with the Regional Court in Hradec Králové  
since 18 November 1993,  
Section C, File No. 5286**

## 1. Milestones of the Company's History

MSSL ADVANCED POLYMERS s.r.o. ("MSP CZE" or the "Company") is a leading manufacturer of injection molding plastic components. The main manufacturing plant of the Company is located at Dolní Ředice. The Company was founded as a limited liability company in 1993 and commenced its operations on 1 January 1994.

At the end of 2006, the Company's equity interests were transferred to MSSL GmbH (99%) and Andreas Heuser (1%), the statutory representative of MSSL GmbH; as a result, the Company became part of the multinational **Samverdhana Motherson Group ("SMG")**, a division of Motherson Technologies and Engineering (MATE). On 10 October 2016, MSSL GmbH became the sole shareholder (holding 100%); reg. no.: HRB 91564.

The Company's name was changed from FP FORMAGRAU s.r.o. to MSSL ADVANCED POLYMERS s.r.o. as at 1 July 2007.

In 2014, the Company purchased assets (particularly non-current assets and inventories) designated for the production of plastic and rubber products from Minda Schenk GmbH (Germany) within its bankruptcy proceedings. At the same time, the corporate restructuring process began through crisis management supported by SMG and MSSL GmbH management. The transfer of machines and projects to MSP CZE resulted in a significant increase in turnover and business growth.

In connection with the transfer, the existing production hall was renovated and expanded in 2015. In addition, a decision was made to transfer the assembly line for the Daimler customer from the German plant at the end of 2015. A part of the newly constructed warehouse premises was allocated for this purpose, we commenced construction modifications of these premises in order to adapt the space for the installation of the assembly line.

## 2. Business Activities

### **Product Portfolio**

The Company is primarily engaged in the manufacturing of precision molded components and prefabricated plastic assemblies including injection molding with fully automated metal and non-metal insertion for the automotive industry.

From the original number of 6 employees (in 1994), the Company grew to 240 regular employees as of 31 March 2020. Thanks to strict orientation to quality, cost curbing initiatives and meeting the agreed terms the Company has secured its growth.

The above-mentioned acquisition and transfer from Germany helped the Company win orders in the OEM segment (Daimler) from which it benefited in the financial year from 1 January 2019 to 31 March 2020 ("2019/20") as well.

In 2019/20, we exported approximately 84% of our production abroad. The current production program focuses almost entirely on the automotive segment (97%). The manufacturing portfolio includes plastic moldings designated for the following car assembly groups:

- Safety belts (sensors, mechanisms, covers)
- Airbags (discharge reducers, insulators)
- Filtration and air technology
- Door positioning systems
- Roof racks
- Plastic parts for rear view mirror assembly, bumpers, door panels, car seats

### **Sales Revenue and Profit**

In 2019-20, the Company recorded a decline in sales in existing production lines, mostly approaching the final project phases; this trend will continue in 2020/21.

For 2020/21, the group project team arranged for new projects, involving in particular intra-group deliveries to the SMP, SMIA and SMRC sister divisions. Most of these projects are in the phase of mold preparation to be completed and billed (in the total amount of approximately EUR 6 million). These sales should compensate for the declining turnover from molding projects approaching their end of life.

Despite the declining turnover, the Company achieved significant savings in all cost areas thanks to the ongoing reorganization and optimization, and generated an accounting profit of CZK 18,213 thousand.

### **COVID 19**

In late 2019, reports of COVID-19 (coronavirus) started coming out of China. In the first months of 2020, the virus spread worldwide and negatively affected many countries. Both the Group and local management closely monitor the situation in the world and in the Czech Republic and looks for ways to minimize the impact of this pandemic on the Company's operations. Due to the pandemic and government restrictive measures, the Company's operations were temporarily suspended in April 2020. The operations were resumed on a limited scale at the beginning of May 2020 at 25% of production capacity; based on the current outlook, we estimate to achieve full production in the summer of 2020. Moreover, the parent company expressed its willingness to secure financing for the Company if necessary.

The management of the Company considered the potential impact of COVID-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 March 2020 were prepared on the assumption that the Company would be able to continue as a going concern. Hence, the accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

### 3. Subsequent Events

There were no events after the balance sheet date that would have a significant impact on the financial statements as at 31 March 2020.

### 4. R&D, Environmental Protection and Quality Assurance

#### **Research and Development (R&D)**

The Company carries out no research & development activities.

#### **Environment**

The Company is involved in the system of collective compliance of take-back and recovery of packaging waste with EKO-KOM, a.s., thus meeting its obligation to ensure the take-back and recovery of packaging waste in a manner pursuant to Act on Packaging and helps protecting the environment.

#### **Quality Assurance**

The Company is certified under ISO TS 16949, ISO 14001 and BS OHSAS 1800:2007.

### 5. Other

#### **Acquisition of Equity Interests**

The Company neither owns nor has acquired in 2019/20 treasury shares or equity interests as at 31 March 2020.

#### **Branch or Affiliate Abroad**

The Company does not operate a branch or affiliate abroad.

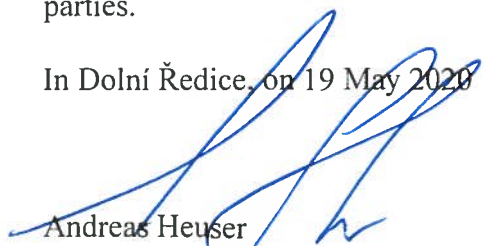
#### **Employees and Employment Relations**

Employment relations and payroll agenda are governed by the Labor Code and other relevant legal and payroll regulations.

## **Risk Management Strategy**

The Company is part of Samvardhana Motherson Group and as such follows the group policies set by the parent company, which are binding for our Company as well as for all related parties.

In Dolní Ředice, on 19 May 2020



Andreas Heuser  
Statutory Representative

## Company Profile as at 31 March 2020

Name: MSSL ADVANCED POLYMERS s.r.o.  
Registered office: Dašická 287, 533 75, Dolní Ředice  
Business registration number (IC): 60108576  
Tax registration No. (DIČ): CZ60108576

Principal business activities: Locksmithing, toolmaking  
Production, sale and the provision of services not stipulated in Annexes 1 to 3 to the Trade Licensing Act  
Business lines:  
Production of plastic and rubber products  
Production of machinery and equipment  
Trade and services brokering  
Wholesale and retail  
Storage, packaging, handling and technical activities in transportation  
Testing, measuring, analyzes and controls  
Provision of technical services  
Manufacturing, trading and services not included elsewhere

Date of incorporation: 18 November 1993

The Company is registered: in the Commercial Register maintained with the Regional Court in Hradec Králové, Section C, File No. 5286

Basic capital: CZK 2,000,000

Statutory body –  
Statutory Representative: Andreas Heuser, Germany

Shareholders: MSSL GmbH,  
Germanenring 3, 63486 Bruchköbel, Germany –  
100% equity interest

(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of MSSL ADVANCED POLYMERS s.r.o.:

### *Opinion*

We have audited the accompanying financial statements of MSSL ADVANCED POLYMERS s.r.o. (the Company) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 March 2020, and the income statement, statement of changes in equity and statement of cash flows for the accounting period started 1 January 2019 and ended 31 March 2020, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020, and of its financial performance and its cash flows for the accounting period started 1 January 2019 and ended 31 March 2020 in accordance with accounting principles generally accepted in the Czech Republic.

### *Basis for Opinion*

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation 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 Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical 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 opinion.

### *Other Information*

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Statutory Representative is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

#### *Responsibilities of the Company's Statutory Representative for the Financial Statements*

The Statutory Representative is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Statutory Representative determines 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 Statutory Representative is 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 Statutory Representative either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

#### *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 above regulations 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 the above law or regulation, 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 Statutory Representative.
- Conclude on the appropriateness of the Statutory Representative's 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.





Building a better  
working world

We communicate with the Statutory Representative 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.

Ernst & Young Audit, s.r.o.  
License No. 401

Jiří Svoboda, Auditor  
License No. 2070

19 May 2020  
Prague, Czech Republic

**MSSL ADVANCED POLYMERS s.r.o.**

Financial Statements for the year ended 31 March 2020

(Translation of Financial Statements Originally Issued in Czech –  
See Note 2 to the Financial Statements)

## BALANCE SHEET

		Current year			Prior year
		Gross	Allowances	Net	Net 31.12.2018
<b>TOTAL ASSETS</b>		<b>824,961</b>	<b>(345,624)</b>	<b>478,337</b>	<b>476,397</b>
<b>A.</b>	<b>STOCK SUBSCRIPTION RECEIVABLE</b>				
<b>B.</b>	<b>FIXED ASSETS</b>	<b>575,067</b>	<b>(321,812)</b>	<b>253,255</b>	<b>251,986</b>
B. I.	Intangible fixed assets	29,144	(18,420)	10,724	3,001
B. I. 1.	Development				
2.	Valuable rights	21,209	(18,420)	2,789	70
1.	Software	8,169	(5,380)	2,789	70
2.	Other valuable rights	13,040	(13,040)	0	
3.	Goodwill				
4.	Other intangible fixed assets				
5.	Advances granted for intangible fixed assets and intangible fixed assets in progress	7,935		7,935	2,931
1.	Advances granted for intangible fixed assets				
2.	Intangible fixed assets in progress	7,935		7,935	2,931
B. II.	Tangible fixed assets	545,923	(203,392)	242,531	248,985
B. II. 1.	Land and structures	276,217	(88,584)	187,633	200,773
1.	Land	949		949	949
2.	Structures	275,268	(88,584)	186,684	199,824
2.	Movable assets and sets of movable assets	258,117	(214,808)	43,309	45,364
3.	Gain or loss on revaluation of acquired property				
4.	Other tangible fixed assets				
1.	Perennial crops				
2.	Livestock				
3.	Miscellaneous tangible fixed assets				
5.	Advances granted for tangible fixed assets and tangible fixed assets in progress	11,589		11,589	2,848
1.	Advances granted for tangible fixed assets				
2.	Tangible fixed assets in progress	11,589		11,589	2,848
B. III.	Long-term investments	0	0	0	0
B. III. 1.	Interests – controlled or controlling entity				
2.	Loans and borrowings – controlled or controlling entity				
3.	Interests – significant influence				
4.	Loans and borrowings - significant influence				
5.	Other long-term securities and interests				
6.	Loans and borrowings - other				
7.	Other long-term investments				
1.	Miscellaneous long-term investments				
2.	Advances granted for long-term investments				
<b>C.</b>	<b>CURRENT ASSETS</b>	<b>248,894</b>	<b>(24,812)</b>	<b>224,082</b>	<b>222,830</b>
C. I.	Inventories	125,909	(6,361)	119,548	118,139
C. I. 1.	Materials	35,842	(4,216)	31,626	42,046
2.	Work in progress and semi-finished production	55,520	(735)	54,785	41,248
3.	Finished products and goods	25,377	(1,410)	23,967	29,840
1.	Finished products	21,410	(593)	20,817	25,296
2.	Goods	3,967	(817)	3,150	4,544
4.	Livestock				
5.	Advances granted for inventories	9,170		9,170	5,005
C. II.	Receivables	83,346	(18,451)	64,895	78,096
C. II. 1.	Long-term receivables	1,490	0	1,490	0
1.	Trade receivables				
2.	Receivables – controlled or controlling entity				
3.	Receivables – significant influence				
4.	Deferred tax asset	1,490		1,490	
5.	Other receivables				
5.1.	Receivables from partners				
5.2.	Long-term advances granted			0	
5.3.	Unbilled revenue				
5.4.	Miscellaneous receivables				

The accompanying income statement, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

## BALANCE SHEET

		Current year			Prior year
		Gross	Allowances	Net	Net 31.12.2018
C. II. 2.	Short-term receivables	81,856	(18,451)	63,405	78,096
1.	Trade receivables	72,847	(18,451)	54,396	71,530
2.	Receivables – controlled or controlling entity				
3.	Receivables – significant influence				
4.	Other receivables	9,009		9,009	6,566
4.1.	Receivables from partners				
4.2.	Social security and health insurance				
4.3.	Due from government - tax receivables	8,551		8,551	5,880
4.4.	Short-term advances granted	166		166	243
4.5.	Unbilled revenue	292		292	438
4.6.	Miscellaneous receivables				5
C. III.	Short-term financial assets	0	0	0	0
1.	Interests - controlled or controlling entity				
2.	Other short-term financial assets				
C. IV.	Cash	39,639	0	39,639	26,595
1.	Cash in hand	54		54	153
2.	Cash at bank	39,585		39,585	26,442
D.	Prepaid expenses and accrued income	1,000	0	1,000	1,581
D. 1.	Prepaid expenses	1,000		1,000	1,581
D. 2.	Prepaid expenses (specific-purpose expenses)				
D. 3.	Accrued income				

## BALANCE SHEET

		Current year	Prior year 31.12.2018
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>478,337</b>	<b>478,397</b>
<b>A.</b>	<b>EQUITY</b>	<b>143,098</b>	<b>124,886</b>
A. I.	Basic capital	2,000	2,000
A. I. 1.	Registered capital	2,000	2,000
2.	Own ownership interests (-)		
3.	Changes in basic capital		
A. II.	Share premium and revaluation reserve	11,971	11,971
A. II. 1.	Share premium		
2.	Capital funds	11,971	11,971
1.	Other capital funds	11,971	11,971
2.	Gain or loss on revaluation of assets and liabilities (+/-)		
3.	Gain or loss on revaluation upon corporate transformation (+/-)		
4.	Differences arising on corporate transformation (+/-)		
5.	Differences arising between balance sheet date and transformation date (+/-)		
A. III.	Reserves from profit	280	260
A. III. 1.	Other reserves	200	200
2.	Statutory and other reserves	60	60
		0	0
A. IV.	Profit (loss) brought forward (+/-)	110,655	131,609
IV. 1.	Retained earnings	110,655	131,609
2.	Other profit (loss) brought forward (+/-)		
A. V.	Profit (loss) for the year (+/-)	18,213	-20,854
A. VI.	Approved decision on advances for profit distribution (-)	0	0
<b>B. + C.</b>	<b>PROVISIONS AND LIABILITIES</b>	<b>334,873</b>	<b>351,475</b>
B.	Provisions	1,398	5,483
B. 1.	Provision for pensions and similar obligations		
2.	Provision for corporate income tax		
3.	Provisions recognized under special legislation		
4.	Other provisions	1,398	5,483
C.	Liabilities	333,475	345,962
C. I.	Long-term liabilities	82,002	212,592
1.	Bonds payable		
1.	Convertible bonds		
2.	Other bonds		
2.	Amounts owed to credit institutions	16,422	31,024
3.	Long-term advances received		
4.	Trade payables		
5.	Long-term notes payable		
6.	Liabilities – controlled or controlling entity	65,580	178,789
7.	Liabilities – significant influence		
8.	Deferred tax liability		2,779
9.	Other liabilities		
1.	Liabilities to partners		
2.	Unbilled deliveries		
3.	Miscellaneous liabilities		
C. II.	Current liabilities	251,473	133,400
1.	Bonds payable		
1.	Convertible bonds		
2.	Other bonds		
2.	Amounts owed to credit institutions	13,225	13,535
3.	Short-term advances received	22,319	22,596
4.	Trade payables	77,976	46,539
5.	Short-term notes payable		
6.	Liabilities – controlled or controlling entity	123,742	25,262
7.	Liabilities – significant influence		
8.	Other liabilities	14,211	25,468
1.	Liabilities to partners		
2.	Short-term borrowings		
3.	Liabilities to employees	5,906	6,335
4.	Liabilities arising from social security and health insurance	3,141	3,649
5.	Due to government – taxes and subsidies	276	2,922
6.	Unbilled deliveries	4,847	6,829
7.	Miscellaneous liabilities	41	5,733
D.	Accruals and deferred income	365	36
D. 1.	Accruals	365	36
2.	Deferred income		

The accompanying income statement, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements



MSSL ADVANCED POLYMERS s.r.o. for the year ended 31 March 2020  
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT

		Current year 1.1.2019 - 31.3.2020	Prior year 1.1.2018 - 31.12.2018
I.	Revenue from sale of finished products and services	611,192	593,726
II.	Revenue from sale of goods	24,161	18,956
A.	Production-related consumption	439,056	409,818
A.1.	Cost of goods sold	23,505	19,864
A.2.	Consumption of material and energy	269,258	257,306
A.3.	Services	146,293	132,648
B.	Change in inventory produced internally (+/-)	(7,437)	(9,871)
C.	Own work capitalized (-)	(869)	(863)
D.	Personnel expenses	154,815	155,612
D.1.	Wages and salaries	115,092	114,981
D.2.	Social security and health insurance costs and other costs	39,723	40,631
D.2.1.	Social security and health insurance costs	38,081	38,986
D.2.2.	Other costs	1,642	1,645
E.	Value adjustments in respect of operating activities	13,581	57,001
E.1.	Value adjustments in respect of intangible and tangible fixed assets	30,619	37,936
E.1.1.	Value adjustments in respect of intangible and tangible fixed assets - permanent	30,619	37,936
E.1.2.	Value adjustments in respect of intangible and tangible fixed assets - temporary		
E.2.	Value adjustments in respect of inventory	(1,841)	(786)
E.3.	Value adjustments in respect of receivables	(15,197)	19,851
III.	Other operating income	5,295	8,038
III.1.	Income from sale of fixed assets	1,068	838
III.2.	Income from sale of materials	1,431	4,782
III.3.	Miscellaneous operating income	2,796	2,418
F.	Other operating expenses	12,042	10,466
F.1.	Net book value of fixed assets sold		
F.2.	Net book value of materials sold	1,524	7,371
F.3.	Taxes and charges relating to operations	183	678
F.4.	Provisions relating to operations and prepaid expenses (specific-purpose expenses)	(4,082)	(2,426)
F.5.	Miscellaneous operating expenses	14,417	4,843
*	Profit or loss on operating activities (+/-)	29,460	(1,443)
IV.	Income from long-term investments - interests	0	0
IV.1.	Income from interests in subsidiaries or parents		
IV.2.	Other income from interests		
G.	Cost of interests sold	0	0
V.	Income from other long-term investments	0	0
V.1.	Income from other long-term investments - subsidiaries or parents		
V.2.	Other income from other long-term investments		
H.	Expenses relating to other long-term investments	0	0
VI.	Interest receivable and similar income	0	0
VI.1.	Interest receivable and similar income - subsidiaries or parents		
VI.2.	Other interest receivable and similar income		
I.	Value adjustments and provisions relating to financial activities	0	0
J.	Interest payable and similar expenses	4,382	4,149
J.1.	Interest payable and similar expenses - subsidiaries or parents	3,808	3,262
J.2.	Other interest payable and similar expenses	574	887
VII.	Other finance income	27,124	11,099
K.	Other finance cost	35,474	22,556
*	Profit or loss on financial activities (+/-)	(12,732)	(15,606)
**	Profit or loss before taxation (+/-)	16,728	(17,049)

The accompanying balance sheet, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

MSSL ADVANCED POLYMERS s.r.o. for the year ended 31 March 2020  
 Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT

		Current year 1.1.2019 - 31.3.2020	Prior year 1.1.2018 - 31.12.2018
L.	<b>Income tax</b>		
L.1.	Income tax due	(1,485)	3,805
L.2.	Income tax deferred (+/-)	2,784	3,805
		(4,269)	
**	<b>Profit or loss after taxation (+/-)</b>	<b>18,213</b>	<b>(20,854)</b>
M.	<b>Transfer of share of profit or loss to partners (+/-)</b>	<b>0</b>	<b>0</b>
***	<b>Profit or loss for the year (+/-)</b>	<b>18,213</b>	<b>(20,854)</b>
*	<b>Net turnover</b>	<b>667,772</b>	<b>631,819</b>

The accompanying balance sheet, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

MSSL ADVANCED POLYMERS s.r.o. for the year ended 31 March 2020  
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

CASH FLOW STATEMENT

For the years ended 31 March 2020 and 31 December 2018

		Current year	Prior year
		1.1.2019 - 31.3.2020	1.1.2018 - 31.12.2018
<b>Cash flows from operating activities</b>			
Z.	Profit or loss on ordinary activities before taxation (+/-)	16,728	(17,049)
A. 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	37,541	58,989
A. 1. 1.	Depreciation and amortization of fixed assets and write-off of receivables	38,369	37,936
A. 1. 2.	Change in allowances	(17,039)	19,064
A. 1. 3.	Change in provisions	(4,085)	(2,425)
A. 1. 4.	Foreign exchange differences	16,982	1,103
A. 1. 5.	(Gain)/Loss on disposal of fixed assets	(1,068)	(838)
A. 1. 6.	Interest expense and interest income	4,382	4,149
A. 1. 7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)		
A *	Net cash from operating activities before taxation, changes in working capital and extraordinary items	54,269	41,940
A. 2.	Change in non-cash components of working capital	41,188	(1,690)
A. 2. 1.	Change in inventory	432	(1,668)
A. 2. 2.	Change in trade receivables	28,934	(5,042)
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	(4,990)	8,192
A. 2. 4.	Change in trade payables	29,243	(7,040)
A. 2. 5.	Change in other payables, and in accruals and deferred income	(12,421)	3,868
A **	Net cash from operating activities before taxation, interest paid and extraordinary items	95,467	40,250
A. 3. 1.	Interest paid	(4,448)	(4,149)
A. 4. 1.	Income Tax paid	820	2,753
A ***	Net cash provided by (used in) operating activities	91,839	38,854
<b>Cash flows from investing activities</b>			
B. 1. 1.	Purchase of fixed assets	(34,736)	(3,195)
B. 2. 1.	Proceeds from sale of fixed assets	1,068	858
B. 3. 1.	Loans granted		
B. 4. 1.	Interest received		
B. 5. 1.	Dividends received		
B ***	Net cash provided by (used in) investing activities	(33,668)	(2,337)
<b>Cash flows from financing activities</b>			
C. 1.	Change in long-term liabilities, and long-term and short-term loans	(45,127)	(34,463)
C. 2. 1.	Effect of other changes in equity on cash		
C. 2. 2.	Profit shares paid		
C. 2. 3.	Effect of other changes in own capital on cash		
C ***	Net cash provided by (used in) financing activities	(45,127)	(34,463)
F.	Net increase (decrease) in cash	13,044	2,054
P.	Cash and cash equivalents at beginning of year	26,595	24,541
R.	Cash and cash equivalents at end of year	39,639	26,595

The accompanying balance sheet, income statement, statement of changes in equity and notes are an integral part of the financial statements.



MSSL ADVANCED POLYMERS s.r.o.

Financial Statements for the year ended 31 March 2020

## **1. DESCRIPTION OF THE COMPANY**

MSSL ADVANCED POLYMERS s.r.o. ("the Company") is a limited liability company incorporated on 18 November 1993 in the Czech Republic. The Company's registered office is located at Dolní Ředice, Dašická 287, Czech Republic, and the business registration number (IČ) is 60108576. The Company is involved in the production of plastic and rubber products, locksmithery and tool engineering.

No significant changes were made to a public register in 2019.

The sole shareholder holding a 100% ownership interest is the parent company MSSL GmbH.

The parent company is MSSL GmbH, Germanenring 3, 63486 Bruchköbel, Germany, and the ultimate parent company is Motherson Sumi Systems Limited, with its registered office at Plot No. 1, Sector-127, Noida 201301, India.

The Company is included in the consolidated group of the parent company Motherson Sumi Systems Limited, India.

As at 31 March 2020, the Company's statutory body and also the sole statutory representative is Andreas Heuser, residing at Bad Soden - Salmünster, Gustav – Kastropp 5, 636 28, Germany.

Statutory representative acts on behalf of the Company independently.

As at 31 March 2020, the Company's organizational structure was as follows:

- Quality Control
- Production
- Finance
- Reporting & Controlling
- Sales
- Personnel
- Logistics
- Purchasing
- Maintenance
- IT

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable.

The financial statements have been prepared assuming that the Company will continue as a going concern.

As in accordance with the Act on Accounting, the Company adopted a fiscal year beginning on 1 April and ending on 31 March for the accounting period in 2019, these financial statements have been prepared for a 15-month period from 1 January 2019 to 31 March 2020 (hereinafter referred to as the "2019/20 accounting period" or the "2019/20"). Therefore, the information in the income statement and the cash flow statement for the current year cannot be directly compared with the information in the income statement and the cash flow statement for the previous year. The comparison period is the period from 1 January 2018 to 31 December 2018 (hereinafter referred to as the "2018 accounting period").

### Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING METHODS AND DEPARTURES THEREFROM**

The accounting policies applied by the Company in preparing the 2019/20 and 2018 financial statements are as follows:

#### **a) Intangible Fixed Assets**

Intangible assets with a useful life greater than one year and a cost exceeding CZK 15 thousand per item are considered intangible fixed assets and are amortized over their useful economic lives.

Intangible fixed assets with a cost from CZK 15 thousand to CZK 60 thousand per item are amortized over 18 months due to a simplified asset amortization procedure and immateriality of the assets in view of total amount of fixed assets.

Intangible fixed assets with a cost of less than CZK 15 thousand are expensed in the year of acquisition.

Intangible fixed assets are recorded at their acquisition cost and related expenses. Related interest and other finance cost is also capitalized.

Internally-developed intangible fixed assets are recorded at their accumulated cost, which consists of direct material and labor costs and production overhead costs. Related interest and other finance cost is also capitalized.

#### Amortization

Amortization is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Software	3
Other valuable rights	5
Small intangible assets (up to CZK 60 thousand)	1.5

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

## **b) Tangible Fixed Assets**

Tangible fixed assets are recorded at their acquisition cost, which consists of purchase price, freight, customs duties and other related costs.

Internally-developed tangible fixed assets are recorded at their accumulated cost, which consists of direct material and labor costs and production overheads.

Revenue from sale of products manufactured during the tests of tangible assets that were performed prior to putting these assets into use is recognized as operating income.

Purchased tangible fixed assets with a cost exceeding CZK 15 thousand are depreciated over their useful economic lives.

Tangible fixed assets with a cost from CZK 15 thousand to CZK 40 thousand per item are depreciated over 18 months due to a simplified asset depreciation procedure and immateriality of the assets in view of total amount of fixed assets.

Tangible fixed assets with a cost of less than CZK 15 thousand are expensed in the year of acquisition.

Tangible fixed assets acquired free of charge are valued at their replacement cost and are recorded with a corresponding credit to the 'Other capital funds' account on the date of acquisition.

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

### Depreciation

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Structures	6 - 30
Machinery and equipment	6 - 8
Furniture and fixtures	10 - 15
Vehicles	4
Small tangible assets (up to CZK 40 thousand)	1.5

## **c) Cash**

Cash includes liquid valuables, cash in hand and at bank.

## **d) Inventory**

Purchased inventory is stated at actual cost being determined using the first-in, first-out ('FIFO') method – the first purchased price used for valuation of additions is used as a first price for decrease of inventories. Costs of purchased inventory include acquisition-related costs (such as freight, customs, commission, etc.).

Inventory produced internally, i.e. work-in-progress and finished goods, is recorded at actual cost. The cost of inventory produced internally includes direct and indirect material and labor costs and production overhead costs.

**e) Receivables**

Receivables are initially measured at their nominal amount. Both long- and short-term receivables are carried at their realizable value after allowance for doubtful accounts. Additions to the allowance account are charged to income.

**f) Derivatives**

Derivatives are initially measured at cost. Derivatives are recorded in other receivables or payables, as appropriate, in the accompanying balance sheet.

Derivatives are classified as derivatives held for trading or hedging derivatives. The latter are designated as either fair value hedges or cash flow hedges. In order to qualify for hedge accounting, the change in the fair value of a derivative or of its estimated cash flow must offset, in whole or in part, the change in the fair value or cash flow arising from the hedged item. In addition, there must be formal documentation of the hedging relationship at inception and the Company must prove that the hedging relationship is highly effective. In all other cases, derivatives are recognized as held-for-trading.

Derivatives are revalued to fair value as at the balance sheet date. Changes in the fair value of derivatives held for trading are charged or credited, as appropriate, to finance income. Changes in the fair value of derivatives designated as fair value hedges are also recognized in finance income, together with the change in the fair value of the hedged item attributable to the risk being hedged. Changes in the fair value of derivatives designated as cash flow hedges are taken to equity and reflected in the balance sheet through gain or loss on revaluation of assets and liabilities. Any ineffective portion of the hedge is charged or credited, as appropriate, to finance income.

**g) Equity**

The basic capital of the Company is stated at the amount recorded in the Commercial Register maintained in the Regional Court. Any increase or decrease in the basic capital made pursuant to the decision of the General Meeting which was not entered in the Commercial Register as at the balance sheet date is recorded through changes in basic capital. Other capital funds consist of monetary and non-monetary contributions in excess of basic capital.

The Company has adopted the Corporations Act in its entirety and has chosen not to create a statutory reserve fund – this option is also set forth in the Company's Articles of Association. The Company has not yet decided on the utilization of the reserve fund totaling CZK 200 thousand.

**h) Provisions and Liabilities**

The Company creates provisions for losses and risks if the related purpose amount and timing can be reliably estimated and the accrual and matching principles are observed.

Long-term liabilities and current liabilities are carried at their nominal values. Amounts resulting from the revaluation of financial derivatives at fair value are shown in other liabilities.

Long-term liabilities and current liabilities to credit institutions and related party are recorded at their nominal values. Any portion of long-term debt which is due within one year of the balance sheet date is classified as short-term debt.

**i) Leases**

The Company records leased assets by expensing the lease payments and, for finance leases, capitalizing the residual value of the leased assets when the lease contract expires and the purchase option is exercised. Lease payments paid in advance are recorded as prepaid expenses and amortized over the lease term.

**j) Foreign Currency Transactions**

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at a fixed monthly rate, set on the basis of the Czech National Bank's daily rate prevailing at the last working day of the preceding month or at the first working day of the year in January. On the balance sheet date monetary items are adjusted to the exchange rates as published by the Czech National Bank as at 31 March (and as at 31 December in 2018).

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to finance income for the year.

**k) Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The Company management prepared these estimates and predictions based on all available relevant information. These estimates and assumptions are based on information available as at the date of the financial statements and may differ from actual results.

**l) Recognition of Revenues and Expenses**

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

Sale revenue is recognized as at the date on which the goods have been delivered to and accepted by the customer (according to the agreed delivery conditions) or as at the date on which the services have been rendered, and is stated net of discounts.

**m) Income Tax**

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible provisions and allowances, entertainment expenses, differences between book and tax depreciation, etc.). In addition, the following items are taken into consideration: tax base decreasing items (donations), tax deductible items (tax loss, research and development costs) and income tax reliefs.

The deferred tax position reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization.

**n) Subsequent Events**

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

**4. FIXED ASSETS****a) Intangible Fixed Assets (in CZK thousands)****COST**

	At beginning of year	Additions	Disposals	Transfers	At end of year
Software	5,400	-	-	2,769	8,169
Valuable rights	13,040	-	-	-	13,040
Intangible fixed assets in progress	2,931	7,773	-	(2,769)	7,935
2019 / 20 Total	21,371	7,773	-	-	29,144
2018 Total	18,546	2,931	(106)	-	21,371

**ACCUMULATED AMORTIZATION**

	At beginning of year	Amortization during year	Disposals	At end of year	Net book value
Software	(5,330)	(50)	-	(5,380)	2,789
Valuable rights	(13,040)	-	-	(13,040)	-
Intangible fixed assets in progress	-	-	-	-	7,935
2019 / 20 Total	(18,370)	(50)	-	(18,420)	10,724
2018 Total	(17,645)	(831)	106	(18,370)	3,001

**b) Tangible Fixed Assets (in CZK thousands)****COST**

	At beginning of year	Additions	Disposals	Transfers	At end of year
Land	949	-	-	-	949
Buildings, halls and constructions	275,268	-	-	-	275,268
Machinery and equipment	216,190	-	(1,931)	12,638	226,897
Vehicles	306	-	(134)	49	221
Furniture and fixtures	19,527	-	(321)	2,696	21,902
Small tangible fixed assets	9,328	-	(250)	19	9,097
Tangible fixed assets in progress	2,848	24,143	-	(15,402)	11,589
2019 / 20 Total	524,416	24,143	(2,636)	-	545,923
2018 Total	522,588	3,112	(1,284)	-	524,416



**ACCUMULATED DEPRECIATION**

	At beginning of year	Depreciation during year	Disposals	At end of year	Net book value
Land	-	-	-	-	949
Buildings, halls and constructions	(75,444)	(13,140)	-	(88,584)	186,684
Machinery and equipment	(177,016)	(14,263)	1,931	(189,348)	37,549
Vehicles	(270)	(36)	134	(172)	49
Furniture and fixtures	(13,502)	(3,020)	321	(16,201)	5,701
Small tangible fixed assets	(9,199)	(138)	250	(9,087)	10
Tangible fixed assets in progress	-	-	-	-	11,589
<b>2019 / 20 Total</b>	<b>(275,431)</b>	<b>(30,597)</b>	<b>2,636</b>	<b>(303,392)</b>	<b>242,531</b>
<b>2018 Total</b>	<b>(239,610)</b>	<b>(37,105)</b>	<b>1,284</b>	<b>(275,431)</b>	<b>248,985</b>

As at 31 March 2020 and 31 December 2018, a production hall with the original cost of CZK 204,998 thousand and net book value of CZK 155,396 thousand and CZK 163,938 thousand, respectively was pledged as security for a loan from UniCredit Bank, a.s. (see Note 12).

As at 31 December 2018, machinery equipment with the original cost of CZK 11,560 thousand and net book value of CZK 4,834 thousand was pledged as security for a loan from Česká spořitelna (see Note 12).

**5. INVENTORY**

Excess, obsolete and slow-moving inventory has been written down to its estimated net realizable value by an allowance account. The allowance is determined by management based on an analysis of turnover and individual assessment of inventories (see Note 7).

**6. RECEIVABLES**

Allowances against outstanding receivables that are considered doubtful were charged to income based on an ageing structure and collectibility of individual receivables in 2019/20 and 2018, respectively (see Note 7).

As at 31 March 2020 and 31 December 2018, overdue receivables totaled CZK 32,786 thousand and CZK 57,244 thousand, respectively (out of which, receivables overdue for more than 180 days were CZK 24,614 thousand and CZK 41,623 thousand, respectively). Part of these overdue receivables was due from group companies; as the Company expects their full recovery, they were not provided for.

The Company wrote off irrecoverable receivables of CZK 7,750 thousand and CZK 0 thousand as at 31 March 2020 and 31 December 2018, respectively.

As at 31 March 2020 and 31 December 2018, the Company has pledged its receivables of CZK 37,584 thousand and CZK 35,735 thousand, respectively as security for a loan from UniCredit Bank, a.s. (see Note 12).

Tax receivables include a receivable arising from the difference between income tax prepayments made and income tax calculated, and a receivable arising from value added tax.

Receivables from related parties (see Note 18).



**7. ALLOWANCES**

Allowances reflect a temporary diminution in the value of assets (see Notes 5 and 6).

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance as at 31/ 12/ 2017	Additions	Deductions	Balance as at 31/ 12/ 2018	Additions	Deductions	Balance as at 31/ 03/ 2020
Inventory	8,988	-	(786)	8,202	66	(1,907)	6,361
Receivables – legal	3,145	19	-	3,164	-	(3,164)	-
Receivables – other	10,655	19,831	-	30,486	-	(12,035)	18,451

Legal allowances are created in compliance with the Act on Provisions and are tax deductible.

**8. PREPAID EXPENSES AND ACCRUED INCOME**

Prepaid expenses include, in particular, IT services (firewall) and technical support of 3D measuring equipment, which are charged to income for the year in which they were incurred.

**9. EQUITY**

Statement of changes in equity (in CZK thousands):

	Balance as at 31/ 12/ 2017	Transfer of profit/loss	Increase	Balance as at 31/ 12/ 2018	Transfer of profit/loss	Increase	Balance as at 31/ 03/ 2020
Basic capital	2,000	-	-	2,000	-	-	2,000
Other capital funds	11,971	-	-	11,971	-	-	11,971
Other reserves	200	-	-	200	-	-	200
Statutory and other reserves	60	-	-	60	-	-	60
Retained earnings	115,167	16,342	-	131,509	(20,854)	-	110,655
Profit (loss) for the year	16,342	(16,342)	(20,854)	(20,854)	20,854	18,213	18,213
Total equity	145,740	-	(20,854)	124,886	-	18,213	143,099

The basic capital of the Company consists of interests fully subscribed and paid, with a nominal value of CZK 2,000 thousand. Other capital funds consist of a contribution in equity of MSSL GmbH in 2011.

The Annual General Meetings held on 12 September 2019 and 19 November 2018, respectively approved the aforementioned loss compensation for 2018 and distribution of profit for 2017.

It is proposed that the 2019/20 profit of CZK 18,213 thousand be added to retained earnings.

**10. PROVISIONS**

The movements in the provision accounts were as follows (in CZK thousands):

Provisions	Balance as at 31/ 12/ 2017	Additions	Deductions	Balance as at 31/ 12/ 2018	Additions	Deductions	Balance as at 31/ 03/ 2020
Other	7,908	-	(2,425)	5,483	1,398	(5,483)	1,398

Other provisions were created, in particular, for accrued vacation, and as at 31 December 2018 also for pending warranty procedures, sorting and rework.

**11. LIABILITIES**

Long-term liabilities comprise long-term liabilities to credit institutions (see Note 12), long-term liabilities to related parties (see Note 18) and deferred tax liability (see Note 14).

As at 31 March 2020 and 31 December 2018, the Company had overdue current payables totaling CZK 41,063 thousand and CZK 16,665 thousand, respectively. As at 31 March 2020 and 31 December 2018, overdue payables (for more than 180 days) totaled CZK 17,574 thousand and CZK 7,561 thousand, respectively, of which overdue payables to group companies amounted to CZK 38,819 thousand (of which CZK 17,494 thousand were overdue for more than 180 days) and CZK 14 484 thousand (of which CZK 7,399 thousand were overdue for more than 180 days).

As at 31 March 2020 and 31 December 2018, the Company had liabilities of CZK 3,141 thousand and CZK 3,649 thousand, respectively owing to social security and health insurance premiums.

As at 31 March 2020 and 31 December 2018, short-term advances received include in particular advances for mold manufacturing.

Unbilled deliveries as at 31 March 2020 and 31 December 2018 represent, in particular, unbilled work of agency employees and energy consumption.

As at 31 December 2018, other liabilities comprise fair values of outstanding derivatives (see Note 12).

Payables to related parties (see Note 18).

**12. AMOUNTS OWED TO CREDIT INSTITUTIONS**

Bank loans can be itemized as follows

Bank	Interest rate	Currency	31/ 03/ 2020 (in CZK thousands)		31/ 12/ 2018 (in CZK thousands)	
			Amount in foreign currency	Amount in CZK thousands	Amount in foreign currency	Amount in CZK thousands
UniCredit Bank – construction extension	3M Euribor + 1.15%	EUR	1,085	29,648	1,690	43,475
Česká spořitelna - 3D device	1M Pribor + 0.975%	EUR	-	-	-	399
Česká spořitelna – KM650T press	1M Pribor + 0.975%	EUR	-	-	-	685
Total			1,085	29,648	1,690	44,559

The aggregate maturities of bank loans and borrowings in CZK thousands are as follows:

	31/ 03/ 2020	31/ 12/ 2018
Other bank loans due within one year (incl. portion of long-term debt which is due within one year)	13,225	13,535
Long-term bank loans due between 1-5 years	16,423	31,024
<b>Total bank loans and overdraft facilities</b>	<b>29,648</b>	<b>44,559</b>

The interest expense relating to amounts owed to credit institutions for 2019/20 and 2018 was CZK 574 thousand and CZK 887 thousand, respectively.

Assets pledged as at 31 March 2020:

UniCredit Bank (extension): company blank bill of exchange, trade receivables, real estate, subordination of part of group loans (see Note 4 and 6);

The Company has opened a multi-purpose revolving line of credit up to CZK 68,000 thousand with UniCredit Bank. As at 31 December 2018, the Company drew this line in the form of derivative transactions (see Note 13); the revolving multi-purpose line was not used as at 31 March 2020.

The loan agreement with UniCredit Bank contains the following special condition to be fulfilled by the Company: Net financial debt to EBITDA ratio not higher than 5. As at 31 March 2020, the Company complied with this condition.

Unused sources of funding as at 31 March 2020 were as follows:

- UniCredit Bank: revolving multi-purpose line in the maximum amount of CZK 68,000 thousand;
- UniCredit Bank: line of credit of CZK 5 million for bank guarantees;
- Česká spořitelna: overdraft facility of CZK 15,000 thousand.

### 13. DERIVATIVES

In 2019 and 2018, the Company concluded contracts for derivatives held for trading. The derivative contract was terminated as at 31 January 2020. As at 31 March 2020, the Company records no open derivative transactions.

The following table summarizes face values and positive or negative values of outstanding derivatives:

(in CZK thousands)	2019/20			2018		
	Contractual/ Face value	Fair value Positive	Fair value Negative	Contractual/ Face value	Fair value Positive	Fair value Negative
Foreign currency forward contracts	-	-	-	EUR 15,350	559	6,247
<b>Total derivatives held for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>EUR 15,350</b>	<b>559</b>	<b>6,247</b>

**14. INCOME TAXES**

On the basis of preliminary calculation the Company calculated tax expense as follows (in CZK thousands):

	2019 / 20	2018
Profit (loss) before taxes	16,728	(17,049)
Non-taxable revenues	-	(688)
Difference between book and tax depreciation	12,042	12,729
Non-deductible expenses		
Creation of allowances, net	(17,038)	19,045
Creation of provisions, net	(4,082)	(2,425)
Other (e.g. entertainment expenses, shortages and losses)	11,650	8,416
Taxable income	19,300	20,028
Current income tax rate	19%	19%
Tax	3,667	3,805
Adjustment of the tax paid in previous years	(883)	-
Current tax expense	2,784	3,805

The Company quantified deferred taxes as follows (in CZK thousands):

Deferred tax items	2019/20		2018	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	-	(3,491)	-	(5,509)
Other temporary differences:				
Allowance against receivables	3,506	-	130	-
Allowance against inventory	1,209	-	1,558	-
Provisions	266	-	1,042	-
Total	2,685	(3,491)	2,730	(5,509)
Net	1,490			(2,779)

As at 31 March 2020 and 31 December 2018, the Company recorded a deferred tax asset of CZK 1,490 thousand and a deferred tax liability of CZK 2,779 thousand, respectively.

**15. LEASES**

The Company leases fixed assets under operating lease arrangements. As at 31 March 2020 and 31 December 2018, lease payments were as follows (in CZK thousands):

Description	Expense in 2019 / 20	Expense in 2018	Cost
Passenger cars	1,656	1,478	5,632
Real estate	3,184	4,170	n/a
Other (machinery, packing, etc.)	2,105	1,897	n/a

The real estate rental agreements have been signed for an indefinite period, with a 3-month notice. Rental of packing is recognized on the basis of monthly invoices; as regards packing items, like machinery, contractual commitments cannot be determined sufficiently accurately. As at 31 March 2020 and 31 December 2018, the Company records the following contractual commitments arising from operating leases of cars (in CZK thousands):

	31/ 03/ 2020	31/ 12/ 2018
Due within one year	1,131	1,097
Due within 1-5 years	743	1,597
<b>Total</b>	<b>1,874</b>	<b>2,694</b>

Assets which are being used by the Company under finance leases (i.e. the assets are transferred to the Company when the lease term expires) as at 31 March 2020 consist of the following (in CZK thousands):

	Lease term	Total lease	Payments made as at 31/ 03/ 2020	Payments made as at 31/ 12/ 2018	Remaining payments as at 31/ 03/ 2020	
					Due within one year	Due over one year
Machinery and equipment	60	17,970	15,946	12,203	1,914	110

**16. REVENUES**

The breakdown of revenues on ordinary activities is as follows (in CZK thousands):

	2019/20		2018	
	Domestic	Foreign	Domestic	Foreign
Products	100,762	494,591	88,991	494,690
Services	5	15,834	1,549	8,496
Goods	2	24,159	148	18,808
<b>Total revenues</b>	<b>100,769</b>	<b>534,584</b>	<b>90,688</b>	<b>521,994</b>

In 2019/20 and 2018, the revenues of the Company were concentrated primarily with ten main customers in the automotive industry.

**17. PERSONNEL AND RELATED EXPENSES**

The breakdown of personnel expenses is as follows (in CZK thousands):

	2019/20	2018
	Total personnel	Total personnel
Average number of employees	266	360
Wages and salaries	115,092	114,981
Social security and health insurance	38,081	38,986
Social cost	1,642	1,645
<b>Total personnel expenses</b>	<b>154,815</b>	<b>155,612</b>

**18. RELATED PARTY INFORMATION**

The members of management, supervisory and administrative bodies were granted no advances, earnest money, loans, borrowings, guarantees or other benefits except for the use of company cars for private purposes in 2019/20 and 2018 and they did not hold any interests of the Company.

The Company sells products, materials, services, goods and fixed assets to related parties in the ordinary course of business. Sales were CZK 193,551 thousand and CZK 280,468 thousand in 2019/20 and 2018, respectively.

The Company purchases goods, materials, machinery and other services from related parties in the ordinary course of business. Purchases were CZK 65,059 thousand and CZK 51,495 thousand in 2019/20 and 2018, respectively.

Receivables from and payables to related parties were as follows (in CZK thousands):

	31/ 03/ 2020	31/ 12/ 2018
<b>Receivables</b>		
Trade receivables	14,391	23,008
<b>Total</b>	<b>14,391</b>	<b>23,008</b>
<b>Payables</b>		
Trade payables	41,601	19,572
Advances received	2,326	12,513
Borrowings received	189,322	204,051
<b>Total</b>	<b>233,249</b>	<b>236,136</b>

Borrowings received bear market interest rates. The interest expense relating to amounts owed to related parties for 2019/20 and 2018 was CZK 3,808 thousand and CZK 3,262 thousand, respectively.

The borrowing from MSSL GmbH totaling CZK 65,580 thousand (EUR 2,400 thousand) is due on 31 March 2022 and is recognized under long-term liabilities.

The borrowing from MSSL Mideast totaling CZK 122,963 thousand (EUR 4,500 thousand) was recognized as a current payable as the maturity had not been extended as at 31 March 2020.



## **19. SIGNIFICANT ITEMS OF INCOME STATEMENT**

The item Services includes, in particular, cost of transport and logistics, agency services and external work and mold maintenance.

Statutory auditor's fees for assurance services are disclosed in notes to the consolidated financial statements of the parent company MSSL India, with its registered office in India.

Miscellaneous operating income includes, in particular, inventory surplus determined on the basis of a physical stock count.

Miscellaneous operating expenses include, in particular, insurance premiums and bad debts write-offs.

Other finance income and cost include, in particular, exchange rate gains and losses and gain and loss on derivative transactions, respectively.

## **20. GOING CONCERN**

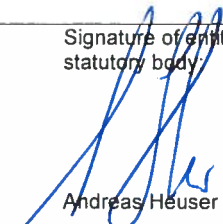
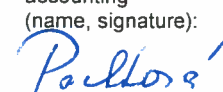

In late 2019, reports of COVID-19 (coronavirus) started coming out of China. In the first months of 2020, the virus spread worldwide and negatively affected many countries. Both the Group and local management closely monitor the situation in the world and in the Czech Republic and looks for ways to minimize the impact of this pandemic on the Company's operations. Due to the pandemic and government restrictive measures, the Company's operations were temporarily suspended in April 2020. The operations were resumed on a limited scale at the beginning of May 2020 at 25% of production capacity; based on the current outlook, we estimate to achieve full production in the summer of 2020. Moreover, the parent company expressed its willingness to secure financing for the Company if necessary.

The management of the Company considered the potential impact of COVID-19 on its activities and business and concluded it does not have a significant impact on the going concern assumption. Accordingly, the financial statements for the year ended 31 March 2020 were prepared on the assumption that the Company would be able to continue as a going concern. Hence, the accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

## **21. SUBSEQUENT EVENTS**

There were no events after the balance sheet date that would have a significant impact on the financial statements as at 31 March 2020.

## **22. STATEMENT OF CHANGES IN EQUITY (SEE NOTE 9)**

Prepared on:	Signature of entity's statutory body	Person responsible for accounting (name, signature):	Person responsible for financial statements (name, signature):
19 May 2020	 Andreas Heuser	 Kateřina Pachtová	 Ing. Pavel Peňáz

# **Report on Relations**

**MSSL ADVANCED POLYMERS s.r.o.**

pursuant to Section 82 of the Corporations Act

for the period from 1 January 2019 to 31 March 2020



The statutory representative of MSSL ADVANCED POLYMERS s.r.o. with its registered address at Dolní Ředice, Dašická 287, zip code 533 75, business registration number (IC) 60108576, recorded in the Commercial Register maintained with the Regional Court in Hradec Králové, Section C, File No. 5286 (hereinafter the “**Company**”) prepared this Report on Relations within the meaning of Section 82 of Act No. 90/2012 Coll., on Corporations and Cooperatives (the “**Corporations Act**”) for the period from 1 January 2019 to 31 March 2020 (hereinafter the “**Reference Period**”).

## 1. Structure of Relations

1.1 Based on the information available to the Company's statutory representative acting with due managerial care and diligence, the Company was, through the whole Reference Period, a member of the group in which the controlling person is Motherson Sumi Systems Limited (hereinafter referred to as the “**Group**”). The data on persons belonging to the Group are provided as of 31 March 2020 in Enclosure No. 1, in accordance with the information available to the statutory body of the Company acting with due managerial care.

### 1.1.1 Controlling Person

Motherson Sumi Systems Limited, having its registered address at Plot No. 1, Sector-127, Noida 201301, India (referred to as the “**Controlling Person**” further in this Report) indirectly controls the Company through MSSL GmbH, with its registered address at Bruchköbel, Germanenring 3, zip code 63486, Germany, Company ID 44 225 24825, recorded in the Register of Companies maintained by the District Court in Hanau, Section B, File No. HRB 91564, which was the Company's majority owner through the Reference Period.

## 2. Company Role in the Group

The Company manufactures injection molding parts and components for the automotive industry and sells them to third parties, particularly to automobile manufacturers and their sub-suppliers either directly or via distribution companies belonging to the Group.

## 3. Method and Means of Control

The Company is controlled especially through the decision-making process at general meetings.

## 4. Summary of Intercompany Contracts and Agreements

4.1 Contracts and agreements made by and between the Company and the Controlling Person valid in the Reference Period:

No valid contracts were in place between the Company and the Controlling Person in the Reference Period.

4.2 Contracts and agreements made by and between the Company and other persons controlled by the Controlling Person valid in the Reference Period:

- 1 Management Services Agreement entered into with **MSSL GmbH**, Germany, dated 20 July 2007
- 2 Contract for the purchase of materials, sale of parts and other services entered into with **MSSL GmbH**, Germany, dated 25 October 2009
- 3 Agreement for arranging accommodation facilities and other travel related serviced entered into **Motherson Air Travel Agencies Ltd**, India, dated 1 April 2017
- 4 Agreement for arranging accommodation facilities and other travel related serviced entered into **Motherson Air Travel Agencies GmbH**, Germany, dated 1 August 2016
- 5 Loan agreement entered into with **MSSL GmbH**, Germany, dated 1 March 2017 (amendment dated 1 March 2019)
- 6 Loan agreement entered into with **MSSL Mideast (FZE)**, United Arab Emirates, dated 21 September 2009

- 7 Contract for the establishment of consignment warehouse of finished products entered into with **Samvardhana Motherson Reflectec Automotive Mirror Technology Bt**, Hungary, dated 1 January 2013
- 8 Contract for the establishment of finished product consignment warehouse entered into with **SMP Deutschland GmbH**, Germany, dated 13 April 2012
- 9 The production of molds and related services were made on grounds of partial orders between the Company and the following companies: **MSSL Tooling Limited, SMP Deutschland GmbH, SMIEL (A Unit of Motherson Sumi Systems Limited)**
- 10 IT services by **Motherson Sumi Infotech & Designs Limited and Motherson Orca Precision Technology GmbH** were performed on grounds of partial orders.
- 11 Supplies of products to **Samvardhana Motherson Reflectec Automotive Mirror Technology Bt, SMP Automotive Solutions Slovakia s.r.o., SMP Deutschland GmbH, MSSL GmbH, SMR Automotive System Spain SAU, SMP Automotive Exterior GmbH, Samvardhana Motherson Innovative Autosystems B.V. & Co. KG** were made on grounds of partial orders
- 12 Purchases of materials from **Samvardhana Motherson Reflectec Automotive Mirror Technology Bt, Motherson Orca Precision Technology GmbH, MSSL Tooling Limited, MSSL GmbH, SMP Deutschland GmbH** were made on grounds of partial orders
- 13 Sales of materials to **MSSL Tooling Limited, Samvardhana Motherson Reflectec Automotive Mirror Technology Bt** were made on grounds of partial orders
- 14 Provision of services in the field of accounting, quality, manufacturing and other professional areas from **Motherson Automotive Technologies & Engineering**.

**5. Summary of acts made at the initiative or in the interest of the Controlling Person or persons controlled by the Controlling Person**

During the Reference Period the Company made the below mentioned acts at the initiative of the Controlling Person or persons controlled by the Controlling Person involving assets in excess of 10% of the Company's equity as reported in the last financial statements, i.e. in the amount exceeding CZK 14,310 thousand as identified in the last financial statements for the year ended 31 March 2020.

- Product deliveries to **Samvardhana Motherson – SMP, SMR, SMRC, MATE and SMIEL divisions**

**6. Assessment of Damage and its Settlement**

The Company suffered no damage as a result of contracts signed, other acts and measures made in the Reference Period between the Company and other Group companies which the Company made in the interest or at the initiative of these persons in the Reference Period.

**7. Assessment of Relations and Risks within the Group**

**7.1 Assessment of advantages and disadvantages of relations within the Group.**

The membership in the Group brings mainly advantages to the Company. The Group is a leading global manufacturer of car parts holding a strong trademark and financial background, which is beneficial to the Company mainly in making deals with its suppliers/customers and dealing with financing banks.

The participation in the Group brings no disadvantages to the Company.

**7.2 No risks are associated with the relations between the companies in the Group.**

19 May 2020



Andreas Heuser

Statutory Representative

**Enclosure 1 - Information about the persons belonging to the Group which were parties to transactions with the Company in 2019/20**

	<i>Name</i>	<i>Location</i>
<b>Controlling Person</b>	Motherson Sumi Systems Limited	India
<b>Related parties</b>		
	MOTHERSON AIR TRAVEL AGENCIES LTD.	India
	Motherson Air Travel Agency GmbH	Germany
	MOTHERSON AUTO LIMITED	India
	Motherson Automotive Technologies & Engineering	India
	Motherson Techno Precision GmbH	Germany
	MothersonSumi INFotech & Designs Ltd	India
	MSSL GmbH	India
	MSSL Manufacturing Hungary Kft.	Hungary
	MSSL Mideast (FZE)	United Arab Emirates
	MSSL TOOLING (FZE)	United Arab Emirates
	Samvardhana Motherson Innovative Autosystems B.V.	Germany
	SMIIEL (A Unit of Motherson Sumi Systems Limited)	India
	SMP Automotive Exterior GmbH	Germany
	SMP Automotive Interiors Beijing Co., Ltd	China
	SMP Automotive Solutions Slovakia, s.r.o.	Slovakia
	SMP Deutschland GmbH	Germany
	SMR Automotive MIRROR Technology Bt	Hungary
	SMR Automotive Systems Spain SAU	Spain