

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S (“REGULATION S”) UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”).

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum following this notice, whether received by email or otherwise received as a result of electronic communication. You are therefore advised to read this carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them anytime you receive any information from us as a result of such access.

The offering memorandum has been prepared in connection with the proposed offer and sale of the securities (including the guarantees) described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your representation. In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities, investors must be outside the United States in reliance on Regulation S. The offering memorandum is being sent at your request. By accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to us that:

- (1) you consent to delivery of such offering memorandum by electronic transmission; and
- (2) either you and any customers you represent are outside the United States and the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorized to, deliver the offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the joint lead managers or any affiliate of the joint lead managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the bookrunners or such affiliate on behalf of us in such jurisdiction.

Under no circumstances shall the offering memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**relevant persons**”). The offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the FSMA does not apply to us.

The offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Joint Lead Managers, or any person who controls the Joint Lead Managers, or any of its directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.



**Samvardhana Motherson
Automotive Systems Group B.V.
U.S.\$300,000,000
4.875% Senior Secured Notes due 2021**

Samvardhana Motherson Automotive Systems Group B.V., incorporated as a private limited liability company under the laws of the Netherlands (the “**Issuer**”), is offering U.S.\$300,000,000 aggregate principal amount of its 4.875% Senior Secured Notes due 2021 (the “**Notes**”). The Notes will mature on December 16, 2021. Interest on the Notes will be payable semi-annually in arrear on June 16 and December 16 of each year, commencing on December 16, 2016.

At any time on or after June 16, 2019, the Issuer may redeem all or part of the Notes by paying the redemption prices set forth in this Offering Memorandum under the caption “*Description of Notes—Optional Redemption—Optional Redemption on or after June 16, 2019*”. Prior to June 16, 2019, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount of such Notes, plus accrued and unpaid interest and additional amounts, if any, plus a “make-whole” premium. In addition, prior to June 16, 2019, the Issuer may redeem, at its option, up to 35% of the Notes with the net proceeds from certain equity offerings at the redemption price set forth in this Offering Memorandum. See “*Description of Notes—Optional Redemption*.” Upon the occurrence of certain events defined as constituting a change of control, each holder may require the Issuer to repurchase all or a portion of its Notes at 101% of their principal amount, plus accrued and unpaid interest and additional amounts, if any. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes.

The Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment with all the Issuer’s existing and future senior obligations that are not subordinated in right of payment to the Notes, including the Issuer’s obligations under the 2025 Notes, the 2021 Notes and the Revolving Credit Facilities (each as defined herein). On or about the Issue Date (as defined below) (and in any event no later than 15 days following the Issue Date), the Notes will be guaranteed on a senior basis (the “**Initial Guarantees**”) by Samvardhana Motherson Peguform GmbH, Samvardhana Motherson Reflectec Group Holdings Limited, SMP Deutschland GmbH and SMP Automotive Technology Iberica S.L.U. (the “**Initial Guarantors**”). No later than 90 days following the Issue Date, the Issuer will be required to cause certain of its other subsidiaries (the “**Post-Closing Guarantors**”) and together with the Initial Guarantors, the “**Guarantors**”) to also guarantee the Notes on a senior basis (the “**Post-Closing Guarantees**”). The Guarantors have also provided, or will provide, guarantees of the Issuer’s and certain of its subsidiaries’ obligations under the 2025 Notes, the 2021 Notes and the Revolving Credit Facilities. The Notes will be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables) of our subsidiaries that are not Guarantors.

The Notes and the Guarantees will be secured by security interests granted over certain property and assets of the Issuer and certain of the Guarantors. To the extent the Collateral in place at the Issue Date does not extend to secure the Notes, the security interests in the Collateral will be put in place subsequent to the Issue Date. No later than 90 days following the Issue Date, the Notes and the Guarantees will be secured by first-ranking pledges over the shares of the Initial Guarantors and certain Post-Closing Guarantors and first-ranking liens over certain of the fixed and floating assets of certain Guarantors (the “**Collateral**”). The Collateral that will secure the Notes and the Guarantees also secures, or will secure, the 2025 Notes, the 2021 Notes, the Revolving Credit Facilities and certain hedging obligations on an equal and ratable first priority basis. The obligations under the Notes will be subordinated to all other secured debt of the Issuer and the Guarantors to the extent of the value of any collateral securing such debt that does not also secure the Notes. The Notes and the Initial Guarantees, if any, may be unsecured on the Issue Date.

The validity and enforceability of the Guarantees and the security interests in the Collateral and the liability of each Guarantor will be subject to the limitations described in “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests*.” The Guarantees and the security interests in the Collateral may be released under certain circumstances. See “*Description of Notes—Guarantees—Release of the Guarantees*” and “*Description of Notes—Security—Releases*.” In addition, rights of the holders of the Notes with respect to the Notes and the Guarantees will be subject to the Intercreditor Agreement (as defined herein). See “*Description of Certain Financing Arrangements—Intercreditor Agreement*.”

This Offering Memorandum includes information on the terms of the Notes and Guarantees, including redemption and repurchase prices, covenants and transfer restrictions.

There is currently no public market for the Notes. Application has been made for this Offering Memorandum to be approved by the Irish Stock Exchange plc to list on the Irish Stock Exchange and to trade on the Global Exchange Market. This Offering Memorandum constitutes listing particulars for the purposes of such application. The Global Exchange Market is not a regulated market within the meaning of Directive 2004/39/EC. There can be no assurance, however, that this application will be accepted, and we cannot assure you that an active trading market for the Notes will develop.

The Notes and the Issuer are rated “BB+” by Standard & Poor’s Rating Services (“**S&P**”). Such rating of the Notes or the Issuer do not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by S&P.

Investing in the Notes involves a high degree of risk. See the “Risk Factors” beginning on page 24.

Price: 100% plus accrued interest, if any, from the Issue Date.

We expect that the Notes will be delivered in book-entry form through the facilities of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream**”) on or about June 16, 2016 (the “**Issue Date**”).

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. This offering is being made in reliance on Regulation S under the U.S. Securities Act. In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), the Notes are not offered or sold to the public in that Relevant Member State other than to any legal entity which is a qualified investor as defined in the Prospectus Directive (2003/71/EC), as amended, and each purchaser of the Notes shall only offer or sell any of the Notes to qualified investors. For further details about eligible offerees and resale restrictions, see “Subscription and Sale” and “Notice to Investors.”

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

ANZ DBS Bank Ltd. Deutsche Bank HSBC

Joint Bookrunners and Joint Lead Managers
Barclays Standard Chartered Bank

The date of this Offering Memorandum is June 16, 2016.

In making your investment decision, you should rely only on the information contained in this Offering Memorandum. We and Australia and New Zealand Banking Group Limited, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, Barclays Bank PLC and Standard Chartered Bank (the “Joint Lead Managers”) have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. We are offering to sell the Notes only in places where offers and sales are permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front cover of this Offering Memorandum. Our business or financial condition and other information in this Offering Memorandum may change after that date.

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IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

We are providing this Offering Memorandum to prospective purchasers of the Notes. You should read this Offering Memorandum before making a decision whether to purchase any Notes. You must not:

- use this Offering Memorandum for any other purpose;
- make copies of any part of this Offering Memorandum or give a copy of it to any other person; or
- disclose any information in this Offering Memorandum to any other person, other than a person retained to advise you in connection with the purchase of the Notes.

We have prepared this Offering Memorandum based on information we have or have obtained from sources we believe to be reliable. Summaries of documents contained in this Offering Memorandum may not be complete. We will make copies of actual documents available to you upon request. Neither we nor the Joint Lead Managers nor the Trustee, Registrar, Paying Agent, Security Agent or Transfer Agent are providing you with any legal, investment, business, tax or other advice in this Offering Memorandum. You should consult with your own counsel, accountants and other advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

This Offering Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this Offering Memorandum, and you must obtain all applicable consents and approvals; neither we nor the Joint Lead Managers shall have any responsibility for any of the foregoing legal requirements.

We are offering the Notes, and the Guarantors are issuing the Note Guarantees in a transaction pursuant to Regulation S that is not subject to the registration requirements of the U.S. Securities Act. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under “*Notice to Investors.*” The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Joint Lead Managers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. Neither we nor the Joint Lead Managers are making any representation to you that the Notes are a legal investment for you.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Joint Lead Managers shall have any responsibility therefor.

Neither the U.S. Securities and Exchange Commission (the “SEC”), any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We accept responsibility for the information contained in this Offering Memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this Offering Memorandum with regard to us and our subsidiaries and affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that we are not aware of any other facts, the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees or advisers. To the fullest extent permitted by law, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees and advisers do not accept any responsibility for the contents of this Offering Memorandum and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee and the Agents or on their behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees and advisers accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Memorandum or any statement herein. None of the Joint Lead Managers, the Trustee or any Agent or any of their respective affiliates, directors, employees or advisers undertakes to review the financial conditions or affairs of the Issuer, the Guarantor or the Group after the date of this Offering Memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers, the Trustee or any Agent. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees and advisers have not independently verified any of the information contained in this Offering Memorandum and can give no assurance that this information is accurate, truthful or complete. This Offering Memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees or advisers that any recipient of this Offering Memorandum should purchase the Bonds. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Memorandum and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group, the Guarantee and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Notes.

We reserve the right to withdraw this offering at any time. We may reject any offer to purchase the Notes in whole or in part for any reason or no reason, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed. The Joint Lead Managers and certain of their respective related entities may acquire, for their own accounts, a portion of the Notes.

The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including in the “*Description of Notes*” and “*Clearing And Settlement Arrangements*,” is subject to a change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear or Clearstream, we accept no further responsibility in respect of such information.

We have applied to list the Notes on the Irish Stock Exchange and have the Notes admitted for trading on the Global Exchange Market, and have submitted this Offering Memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this Offering Memorandum. We may also be required to update the information in this Offering Memorandum to reflect changes in our business, prospects, financial condition or results of operations. We cannot guarantee that the application we have made to the Irish Stock Exchange for the Notes to be listed and admitted to trading on the Global Exchange Market thereof will be approved as of the Issue Date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this admission to trading.

IN CONNECTION WITH THIS OFFERING, AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED (THE “STABILIZING MANAGER”) (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL OTHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, NO ASSURANCE CAN BE GIVEN THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THIS OFFERING IS MADE AND, IF BEGUN, MAY BE DISCONTINUED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE “SUBSCRIPTION AND SALE.”

NOTICE TO CERTAIN INVESTORS

United Kingdom This Offering Memorandum is directed only at persons (“**Relevant Persons**”) who (i) fall within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (ii) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated.

This Offering Memorandum must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Recipients of this Offering Memorandum are not permitted to transmit it to any other person. The Notes are not being offered to the public in the United Kingdom.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

Federal Republic of Germany This offering of Notes is not a public offering in the Federal Republic of Germany. The Notes may only be offered, sold and acquired in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (the “**Securities Prospectus Act**”), as amended, the Commission Regulation (EC) No. 809/2004 of April 29, 2004, as amended (in particular by Commission Delegated Regulation (EU) No 486/2012 of March 30, 2012 and Commission Delegated Regulation (EU) No 862/2012 of June 4, 2012) and any other applicable German law. No application will be made under German law to permit a public offer of Notes in the Federal Republic of Germany. This Offering Memorandum has not been approved for purposes of a public offer of the Notes and accordingly the Notes may not be, and are not being, offered or advertised publicly or by public promotion in Germany. Therefore, this Offering Memorandum is strictly for private use and the offer is only being made to recipients to whom the document is personally addressed and does not constitute an offer or advertisement to the public. The Notes will only be available to and this Offering Memorandum and any other offering material in relation to the Notes is directed only at persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the Securities Prospectus Act and other applicable laws. The Issuer has not, and does not intend to, file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (“**BaFin**”) or obtain a notification to the BaFin from another competent authority of a Member State of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 Para. 3 of the Securities Prospectus Act.

France This Offering Memorandum has not been prepared in the context of a public offering in France within the meaning of article L.411-1 of the French *Code Monétaire et Financier* and Title I of

Book II of the *Règlement Général* of the Autorité des Marchés Financiers (the “**AMF**”) and therefore has not been approved by, registered or filed with the AMF. Consequently, the Notes are not being and will not be offered, directly or indirectly, to the public in France and this Offering Memorandum has not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sale of the Notes to the public in France. The Notes may only be offered or sold in the Republic of France pursuant to article L.411-2-II of the French *Code Monétaire et Financier* to (i) authorized providers of investment services relating to portfolio management for the account of third parties and/or (ii) qualified investors (*investisseurs qualifiés*) as defined in and in accordance with articles L.411-2 and D.411-1 of the French *Code Monétaire et Financier*. Qualified investors may only participate in the offering for their own account in accordance with the provisions of articles D.411-1, D.744-1, D.754-1 and D.764-1 of the French *Code Monétaire et Financier*. No direct or indirect distribution, transfer or sale of the Notes so acquired shall be made to the public in France other than in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Code Monétaire et Financier.

Grand Duchy of Luxembourg This Offering Memorandum has not been approved by and will not be submitted for approval to the Luxembourg Financial Sector Supervisory Authority (*Commission de Surveillance du Secteur Financier*) for purposes of a public offering or sale in the Grand Duchy of Luxembourg (“**Luxembourg**”). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg law of July 10, 2005 on prospectuses for securities as amended and implementing the Prospectus Directive (the “**Prospectus Law**”). Consequently, this Offering Memorandum and any other offering circular, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Prospectus Law, (ii) no more than 149 prospective investors, which are not qualified investors and (iii) investors in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 5 of the Prospectus Law.

Cyprus This Offering Memorandum has not been nor will be submitted for clearance with the Cyprus Securities and Exchange Commission since it has not been prepared for the purpose of making an offer of Notes to the public in the Republic of Cyprus (“**Cyprus**”) requiring such submission under the provisions of the Public Offers and Prospectus Law of 2005 (Law 114(I)/ 2005), as amended, (the “**Prospectus Law**”). Accordingly, the Notes may not be offered, advertised, distributed, marketed or sold, whether directly or indirectly, to the public in Cyprus and this Offering Memorandum (or any other offering material relating to the Notes) has not been and will not be released, issued, published, communicated, advertised or disseminated to the public in Cyprus. In accordance with the exceptions set out in section 4 (3) of the Prospectus Law the Notes may only be offered or sold in Cyprus (i) to qualified investors, as defined in the Investment Services and Activities and Regulated Markets Law, No. 144 (I) of 2007, as amended (the “**Investment Services Law**”), (ii) if such offer is subject to a minimum investment per investor of €100,000 and/or (iii) if such Notes are offered to less than 150 legal entities or persons who are not qualified investors.

Mexico The Notes have not been and will not be registered with the Mexican National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), and may not be offered or sold, or otherwise be the subject of brokerage activities in Mexico.

Netherlands The Notes (including rights representing an interest in each global note that represents the Notes) which are the subject of this Offering Memorandum, have not been and shall not be offered, sold, transferred or delivered in the Netherlands other than to legal entities which are qualified investors (within the meaning of the Prospectus Directive (2003/71/EC), as amended).

Australia This Offering Memorandum and offer of the Notes is only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D or Chapter 7.9 of the Australian *Corporations Act 2001* (Cth) (the “**Australian Corporations Act**”). This Offering Memorandum is not a prospectus, product disclosure statement or any other form of formal “disclosure document” for the purposes of Australian law and is not required to, and does not, contain all the information which would be required in a “disclosure document” under Australian law. This Offering

Memorandum has not been and will not be lodged or registered with the Australian Securities and Investments Commission, the Australian Securities Exchange Limited or any other regulatory body or agency in Australia. Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice nor as financial product advice for the purposes of Chapter 7 of the Australian Corporations Act.

Jersey No consent under Article 8(2) of the Control of Borrowing (Jersey) Order 1958 has been obtained in relation to the circulation in Jersey of any offer of Notes and any such offer must be addressed exclusively to a restricted circle of persons in Jersey. For these purposes an offer is not addressed exclusively to a restricted circle of persons unless (i) the offer is addressed to an identifiable category of persons to whom it is directly communicated by the offeror or the offeror's appointed agent, (ii) the members of that category are the only persons who may accept the offer and they are in possession of sufficient information to be able to make a reasonable evaluation of the offer and (iii) the number of persons in Jersey to whom the offer is so communicated does not exceed fifty.

Spain The offer and sale of the Notes, to the extent carried out in compliance with the offering restrictions set out in this Offering Memorandum and the undertakings by the Joint Lead Managers in the Purchase Agreement, will not result in a regulated offer to the public being made in Spain as neither the Notes nor this Offering Memorandum have been approved or registered in the administrative registries of the Spanish Securities Market Commission ("Comisión Nacional de Mercado de Valores") and therefore the Notes may not be offered, sold, re-sold or distributed in Spain except in circumstances which do not constitute a public offering of securities in Spain within the meaning of Article 34 and 35 of the Spanish Securities Market Law as per Legislative Royal Decree of October 23, 2015 (Real Decreto Legislativo de 4/2015 de 23 de octubre por el que se aprueba el texto refundido de la Ley de Mercado de Valores), as restated and supplemental rules enacted thereunder or in substitution thereof from time to time.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes statements that are, or may be deemed to be, “forward-looking statements,” within the meaning of the securities laws of certain jurisdictions, including statements under the headings “Presentation of Industry and Market Data,” “Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Our Business” and other sections. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “anticipate,” “expect,” “suggests,” “plan,” “believe,” “intend,” “estimates,” “targets,” “projects,” “should,” “could,” “would,” “may,” “will,” “forecast,” and other similar expressions or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements that we make in this Offering Memorandum speak only as of the date of such statement, and we undertake no obligation and do not intend to update such statements. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the “*Risk Factors*” section of this Offering Memorandum:

- the impact of economic trends and adverse developments in the global economy and in countries where we operate;
- cyclicalities and reduced demand in the automotive industry in which we operate;
- sale of our products to a small number of customers;
- costs associated with ongoing efforts by original equipment manufacturers (“**OEMs**”) to restructure their operations;
- escalating price pressure from customers;
- increased competition in our markets;
- our inability to identify and understand evolving industry trends and preferences and develop new products to meet our customers’ demands;
- our reliance on our suppliers, some of whom are our competitors, for the supply of raw materials and components that are critical to our manufacturing processes;
- loss of a supplier or interruption in the delivery of raw materials;
- volatility in the prices of raw materials or pre-constructed components on which we rely;
- increases in the price or inadequate supply of energy;
- delays or increased costs resulting from issues that our common carriers may face in transporting our raw materials, components or finished products;
- damage to our image and reputation or any of our customers’ images and reputations;
- our failure to obtain or maintain quality and product certifications for certain markets and customers;

- the discontinuation of, the loss of business with respect to, or lack of commercial success of, a particular vehicle model for which we are a significant supplier;
- our order book may not be an indication of our future revenue;
- our inability to realize revenues represented by our awarded business or termination or non-renewal of production purchase orders by our customers;
- our inability to sustain, manage or realize the expected benefits of past and future investments and acquisitions;
- diversion of our attention due to future acquisitions and difficulty integration such acquisitions with our existing business and technology;
- start-up costs and inefficiencies related to new products or programs and the possibility that such costs may not be fully recoverable if new programs are cancelled;
- a decline in the financial condition of OEMs or other customers or suppliers;
- risks due to the diverse and complex global nature of our operations;
- risks associated with foreign exchange rate fluctuations and hedging;
- any unanticipated shutdown of our manufacturing facilities;
- natural or man-made disasters and other events outside our control, and the ineffective management of the effects of such events;
- acts of terrorism and other political and economic developments;
- any delay in the implementation or failure in the operation of our information systems;
- increasing labor costs in various jurisdictions in which we operate;
- any shortage of contract labor or work stoppages caused by disagreements with independent labor contractors;
- risks associated with our agreements with unions or works councils;
- our inability to recruit and retain skilled management personnel;
- risks associated with our decentralized structure;
- risks associated with our joint ventures, over which we may have limited control;
- potential liabilities that may not be covered by insurance;
- our ability to obtain, protect and leverage intellectual property rights to our ability to develop sufficient new revenue streams to replace revenue streams that may diminish as our current intellectual property rights expire;
- product liability and other civil claims and costs incurred as a result of product recalls;
- risks associated with the environmental and health and safety laws and other government regulations to which we are subject;
- significant changes in laws and governmental regulations relating to our operations or those of our customers;
- risks relating to the availability of tax deductions;
- changes in legislation or policies related to tax applicable to us;
- legal or regulatory claims or investigations against us;
- our entry into related party transactions, and the possibility that we could have achieved more favorable terms had such transactions not been entered into with related parties;
- exposure to factoring facilities;
- other risks associated with our financial profile, the Notes and our structure; and
- other factors discussed or referred to in this Offering Memorandum.

The list above is not exhaustive and there are other factors that may cause our actual results to differ materially from the forward-looking statements contained in this Offering Memorandum. Moreover, new risk factors emerge from time to time and it is not possible for us to predict all such risk factors. We cannot assess the impact of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on forward-looking statements as a prediction of actual results.

We urge you to read the sections of this Offering Memorandum entitled “*Risk Factors*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Presentation of Industry and Market Data*” and “*Our Business*” for a more complete discussion of the factors that could affect our future performance and the markets in which we operate.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

During the fiscal year ended March 31, 2014, the Issuer changed its financial year from December 31 to March 31. Consequently, the financial period before this change presented as comparative financial information in the Consolidated Financial Statements comprises the fifteen month period beginning January 1, 2013 and ending March 31, 2014.

On June 13, 2014, the Issuer acquired a 98.45% shareholding of SMR from SMGH in a share exchange deal pursuant to which SMGH (each entity as defined under the heading “*Definitions*”) transferred its entire shareholding (including shares acquired on June 9, 2014 from minority shareholders) to the Issuer in exchange for 45,676 shares with nominal value of €1 each issued by the Issuer. Consequently, The Issuer became a subsidiary of SMGH. Shareholders of the Issuer have approved the allotment of shares to SMGH in their meeting dated June 13, 2014.

As this transaction was completed under “common control” as defined by IFRS, the activities of SMR have been included in the Issuer’s Consolidated Financial Statements from January 1, 2013 under the presumption that SMR has been part of the Group since its acquisition by SMGH. Consequently, the Issuer’s Consolidated Financial Statements for each of the fiscal years ended March 31, 2015 and 2016 have been prepared by consolidating the financial results of SMR for twelve months beginning April 1, 2014 and ending March 31, 2015 and for twelve months beginning April 1, 2015 and ending March 31, 2016, respectively, and corresponding results for SMR’s previous financial year were incorporated in the Issuer’s results for the fifteen month period beginning January 1, 2013 and ending March 31, 2014.

However, all the financial information in this Offering Memorandum, has been reproduced for fiscal years ended March 31, 2014, 2015 and 2016 for purposes of comparison. Information for the fiscal years ended March 31, 2015 and 2016 have been taken from the Consolidated Financial Statements and information for the fiscal years ended March 31, 2014 has been taken from the Combined Financial Statements. The principles of consolidation accounting have been applied in preparing these Combined Financial Statements. As a result, the entities are included within the Combined Financial Statements after eliminating intercompany balances and transactions. The difference between combined financial information and consolidated financial information primarily relates to the treatment of equity, as the equity balances in the Combined Financial Statements are summed together whereas in a consolidated entity, there is a shared ownership in the equity, causing an elimination of the shared amount when the balances are consolidated. For this reason, the equity in the Combined Financial Statements as at March 31, 2014 differs from the equity in the Consolidated Financial Statements. Additionally there have been certain minor reclassifications in year on year comparisons which reflect the Management’s point of view.

The Financial Statements of the Issuer included in this Offering Memorandum have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (“**EU IFRS**”).

The Consolidated Financial Statements as of and for each of the fiscal years ended March 31, 2015 and 2016 and the Combined Financial Statements for the years ended March 31, 2012, 2013 and 2014 have been audited by PricewaterhouseCoopers Accountants N.V. The Financial Statements of the Issuer for these periods, as well as the audit report of PricewaterhouseCoopers Accountants N.V. in relation thereto, can be found elsewhere in this Offering Memorandum.

The Issuer, a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, was established on October 7, 2011. The Issuer published its first annual Consolidated Financial Statements containing the consolidated results of SMR and SMP in respect of the fiscal year ended March 31, 2015. Financial statements will be published by the Issuer on an annual basis and on a quarterly basis (as will be required under the Indenture as described under “*Description of Notes—Certain Covenants—Reports*”).

In this Offering Memorandum, we present our revenue for the fiscal years ended March 31, 2014, 2015 and 2016 on a geographic basis, which data is based on the location of our manufacturing plants and does not reflect OEM exports of our products. We also present our revenues for the fiscal years ended March 31, 2014, 2015 and 2016 by division (i.e., our SMR division and SMP division).

As Adjusted Financial Information

This Offering Memorandum also includes unaudited as adjusted financial data reflecting certain effects of the Offering on our financial position and cash interest expense as of and for the fiscal year ended March 31, 2016 as if the Offering had occurred (i) on March 31, 2016 for the purposes of the calculation of our cash and cash equivalents, total external borrowings and net external borrowings and (ii) on April 1, 2015 for the purposes of the calculation of our cash interest expense. The unaudited as adjusted financial data have been prepared for illustrative purposes only and does not purport to represent what our actual financial position or cash interest expense would have been if the Offering had occurred (i) on March 31, 2016 for the purposes of the calculation of our cash and cash equivalents, total external borrowings and net external borrowings and (ii) on April 1, 2015 for the purposes of the calculation of our cash interest expense, nor do they purport to project our financial position and cash interest expense at any future date. The unaudited as adjusted financial data set out in this Offering Memorandum are based on available information and certain assumptions and estimates that we believe are reasonable but may differ materially from the actual amounts.

Non-IFRS Financial and Operating Information

The financial information included in this Offering Memorandum includes some measures which are not accounting measures within the scope of IFRS and which we use to assess the financial performance of our businesses. These measures include EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, operating cash flow and other ratios that use Adjusted EBITDA. In the footnotes to the “*Summary of Historical Consolidated and Combined Financial Other Information*,” we define each of these measures and state the reasons we believe each is useful to management, investors and other parties in the evaluation of our business. We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate our business. EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, operating cash flow and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. None of EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, operating cash flow is recognized as a measure of financial performance or liquidity under IFRS. Investors should not place any undue reliance on these non-IFRS measures and financial indicators and should not consider these as: (a) an alternative to operating income or net income as determined in accordance with generally accepted accounting principles, or as a measure of operating performance; (b) an alternative to cash flows from operating, investing or financing activities, as determined in accordance with generally accepted accounting principles, or as a measure of our ability to meet cash needs; or (c) an alternative to any other measure of performance under generally accepted accounting principles. None of EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin or operating cash flow is indicative of our historical operating results, nor are any of them meant to be predictive of future results. EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and operating cash flow are used by our management to monitor the underlying performance of the business and the operations. Since all companies do not calculate EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and operating cash flow in an identical manner, our presentation may not be consistent with similar measures used by other companies. Therefore, investors should not place undue reliance on this data. EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and operating cash flow have limitations as analytical tools and you should not consider them in isolation or as a substitute for an analysis of our results as reported under IFRS. Some of these limitations are:

- they do not reflect our cash expenditure or future requirements for capital expenditure or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debts;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and other ratios that use Adjusted EBITDA do not reflect any cash requirements that would be necessary for such replacements;

- some of the exceptional items that we eliminate in calculating Adjusted EBITDA, Adjusted EBITDA margin and other ratios that use Adjusted EBITDA reflect cash payments that were made, or will in the future be made; and
- the fact that other companies in our industry may calculate EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and other ratios that use Adjusted EBITDA differently than we do, which limits their usefulness as comparative measures.

As a result of the above limitations, none of EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin or operating cash flow should be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS. We compensate for these limitations by relying primarily on our IFRS results and using EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and operating cash flow only supplementally.

Please see the section entitled “*Summary of Historical Consolidated and Combined Financial and Other Information*” for a reconciliation of EBITDA to earnings before taxes.

Order Book

In this Offering Memorandum, we present our estimated order book as of March 31, 2016, which represents the sales that we expect to record in the event we receive firm orders under contracts for vehicle programs that we have been awarded by OEMs but which are not yet in production and is comprised of both incremental and repeat business (the “**Order Book**”). The value of our Order Book as of any given date is based on the estimated production volumes of vehicle programs as well as their estimated lifetime, each as determined by our OEM customers at the award of the respective contract. To account for unforeseen variations in production volumes, our management usually discounts the production volumes indicated by our customers based on factors including their knowledge of such customer, our historical relationship with such customer and internal and external industry forecasts. We regularly review, and where necessary adjust, our discounted production volume estimates until the commencement of production of the specific vehicle program in question, taking into account any new information that has become available to us. As a policy, we do not increase the estimated production volumes beyond those estimates provided to us by our customers. Once we have agreed the expected prices and investments required for the production of products for an awarded vehicle program with our customers, we value the estimated and discounted production volumes of awarded vehicle programs.

Our customers generally do not guarantee purchase volumes and have the right to terminate orders without penalties. Therefore, our actual sales volumes, and thus the ultimate amount of revenue that we derive from such sales, are not committed. If actual production orders from our customers are not consistent with the projections we use in calculating the amount of our Order Book, we could realize substantially less revenue over the life of the projects than the current Order Book estimate. However, in such circumstances, we would have the right to negotiate claims to recover any shortfall of revenue compared to the associated investments we have made. As a result of the above limitations, the amount of our estimated Order Book provided herein, does not purport to represent what our actual realized revenues will be over any future period and should not be considered in isolation. The value of our Order Book has not been audited and reviewed and is not required to be included into this Offering Memorandum by, or is a recognized measure under, IFRS or any other applicable accounting standard. See also “*Risk Factors—Risks Relating to Our Indebtedness—Our Order Book may not be indicative of our future revenue.*”

Other

Certain numerical figures included in this Offering Memorandum have been subject to rounding adjustments. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.

CERTAIN DEFINITIONS

In this Offering Memorandum, all references to “euros” and “€” are to the lawful currency of the European Union and all references to “U.S. dollars” “and “\$” are to the lawful currency of the United States of America.

Definitions

Unless otherwise specified or the context requires otherwise in this Offering Memorandum, references to “Group,” “Company,” “we,” “us,” and “our” refer to Samvardhana Motherson Automotive Systems Group B.V., together with its subsidiaries on a consolidated basis, except where otherwise specified or clear from the context. The following definitions apply throughout this Offering Memorandum, unless the context otherwise requires.

“2021 Indenture” means the indenture dated July 10, 2014, as amended or supplemented from time to time, between, among others, the Issuer, the Guarantors, Deutsche Trustee Company Limited as trustee and Wilmington Trust (London) Limited as security agent;

“2021 Notes” means the Issuer’s €500 million in aggregate principal amount of 4.125% senior secured notes due July 15, 2021 issued July 10, 2014, together with any additional notes issued under the 2021 Indenture;

“2025 Indenture” means the indenture dated June 18, 2015, as amended or supplemented from time to time, between, among others, the Issuer, the Guarantors, Deutsche Trustee Company Limited as trustee and Wilmington Trust (London) Limited as security agent;

“2025 Notes” means the Issuer’s €100 million in aggregate principal amount of 3.700% senior secured notes due June 18, 2025 issued by the Issuer June 18, 2015, together with any additional notes issued under the 2025 Indenture;

“Clearstream” means Clearstream Banking, S.A.;

“Collateral” means the first-ranking pledges over the shares of the Initial Guarantors and certain Post-Closing Guarantors of the Issuer and first-ranking liens over certain fixed and floating assets of certain Guarantors that secure or will secure the obligations of the Issuer and the Guarantors under the Notes and the Guarantees. See “*Description of Notes—Security*;

“Combined Financial Statements” means our audited combined special purpose financial statements for the years ended March 31, 2012, 2013 and 2014;

“Consolidated Financial Statements” means our statutory audited consolidated financial statements for each of the fiscal years ended March 31, 2015 and 2016;

“Euroclear” means Euroclear Bank SA/NV;

“European Union” means Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom;

“Existing Revolving Credit Facilities” means the revolving facilities made available pursuant to the Revolving Credit Facilities Agreement;

“Existing Revolving Credit Facilities Agreement” means the €350.0 million revolving credit facilities agreement dated June 23, 2015 between, among others, the Issuer, Australia and New Zealand Banking Group Limited and others as mandated lead arranger and Standard Chartered Bank as agent and Wilmington Trust (London) Limited as the Security Agent, as described in “*Description of Certain Financing Arrangements—Existing Revolving Credit Facilities*;

“Financial Statements” means the Combined Financial Statements and the Consolidated Financial Statements;

“fiscal year” means the 12 month period ended March 31, 2014, 2015 and 2016, as applicable. The statutory year of the Issuer historically ended on December 31 of each year and was changed in 2014 from the period from January to December to the period from April to March, resulting in a 15-month statutory period from January 1, 2013 to March 31, 2014 presented as comparative information in the statutory financial statements for the year ended March 31, 2015. Our Combined Financial Statements reflect the change in the Issuer’s financial year from December 31 to March 31 and present the fiscal

years ended March 31, 2012, 2013 and 2014. Our Consolidated Financial Statements for each of the years ended March 31, 2015 and 2016 reflect the fiscal years ended March 31, 2015 and 2016. See “*Presentation of Financial and Other Information*;

“Guarantors” means collectively, the Initial Guarantors and the Post-Closing Guarantors;

“Indenture” means the indenture dated the Issue Date between, among others, the Issuer, the Trustee and the Security Agent and entered into or acceded to, as applicable, by the Guarantors;

“Initial Guarantors” means Samvardhana Motherson Peguform GmbH, SMR Jersey, SMP Deutschland and SMP Ibérica, each of which will guarantee the Notes on a senior basis on or about the Issue Date (and in any event no later than 15 days following the Issue Date). See “*Description of Notes—Guarantees*;

“Intercreditor Agreement” means the intercreditor agreement dated July 10, 2014, as amended from time to time, by and among, among others, the Issuer, certain subsidiaries of the Issuer, the Trustee (on behalf of itself and the holders of the Notes), the trustee of the 2025 Notes, the trustee of the 2021 Notes, the Security Agent and the applicable agents and lenders in respect of the Revolving Credit Facilities;

“Issue Date” means June 16, 2016;

“Issuer” means Samvardhana Motherson Automotive Systems Group B.V.;

“Joint Bookrunners and Joint Lead Managers” means Australia and New Zealand Banking Group Limited, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, Barclays Bank PLC and Standard Chartered Bank;

“MIND” means Motherson Sumi Infotech & Designs Limited, a joint venture between SMG and Sumitomo Wiring Systems (Japan);

“MSSL” means Motherson Sumi Systems Limited, an indirect shareholder of the Issuer;

“MSSL Mauritius” means MSSL Mauritius Holdings Limited, a wholly owned subsidiary of MSSL and 51.0% shareholder of SMGH;

“MSSL Mideast” means MSSL Mideast (FZE), a wholly-owned subsidiary of MSSL;

“Non-Restricted Jurisdiction Group” means the Issuer and its subsidiaries (excluding the Restricted Jurisdiction Non-Guarantors);

“Notes” means the Issuer’s U.S.\$300 million aggregate principal amount 4.875% Senior Secured Notes due 2021 offered hereby;

“Offering” means the offering of the Notes hereunder, and pursuant to the terms of the Indenture as well as the granting of the Guarantees by the Guarantors and the granting of Collateral by the Issuer and certain of its subsidiaries in connection therewith;

“Order Book” has the meaning assigned to it in “*Presentation of Financial and Other Information—Order Book*;

“Paying Agent” means Deutsche Bank AG, London Branch;

“Post-Closing Guarantors” means the subsidiaries of the Issuer (other than the Initial Guarantors), that will guarantee the Notes on a senior basis no later than 90 days following the Issue Date. See “*Description of Notes—Guarantees*;

“Receivables Facilities” means the several non-recourse receivables finance facilities provided by various financial institutions as entered into from time to time and as amended and restated from time to time;

“Registrar” means Deutsche Bank Luxembourg S.A.;

“Restricted Jurisdiction Non-Guarantors” means the restricted subsidiaries of the Issuer that will not be required to or are subject to severe limitations on their ability to provide guarantees of the Notes due to the restriction of their respective jurisdictions of incorporation (including Brazil, China, India and South Korea);

“Revolving Credit Facilities” means each of the Existing Revolving Credit Facility and/or the Secondary Revolving Credit Facility, as applicable;

“Revolving Credit Facilities Agreements” means each of the Existing Revolving Credit Facility Agreement and/or the Secondary Revolving Credit Facility Agreement, as applicable.

“Secondary Revolving Credit Facility” means the revolving credit facility made available pursuant to the Secondary Revolving Credit Facility Agreement;

“Secondary Revolving Credit Facility Agreement” means the €50.0 million credit facility agreement dated June 17, 2014 between, among others, SMP Deutschland, Standard Chartered Bank, London as mandated lead arranger and agent, and the Security Agent;

“Security Agent” means Wilmington Trust (London) Limited;

“Shareholder Agreement” means the shareholder agreement, dated July 8, 2014, between SMPL, SMGH and the Issuer;

“SMG” means Samvardhana Motherson Group, the trade name for MSSSL and SMIL and their respective subsidiaries, including the Issuer and its subsidiaries;

“SMGH” means Samvardhana Motherson Global Holding Ltd., a shareholder of the Issuer;

“SMIA” means Samvardhana Motherson Innovative Autosystems, formerly Scherer & Trier, acquired by SMG on January 30, 2015;

“SMIL” means Samvardhana Motherson International Ltd., an indirect shareholder of the Issuer;

“SMIL Mauritius” means Samvardhana Motherson Holding (M) Private Limited, an indirect shareholder of the Issuer;

“SMP” means our SMP division, through which we produce various interior and exterior modules, which is comprised of Samvardhana Motherson Peguform GmbH, SMP Ibérica, SMP Automotive Interiors (Beijing) Co. Ltd. and their respective subsidiaries, as applicable;

“SMP Deutschland” means SMP Deutschland GmbH (formerly Peguform GmbH);

“SMP Ibérica” means SMP Automotive Technology Ibérica S.L.U.;

“SMR” means our SMR division, through which we produce a wide range of interior and exterior rear view vision systems, which is comprised of SMR Jersey and its subsidiaries, as applicable;

“SMR Jersey” means Samvardhana Motherson Reflectec Group Holdings Limited, a subsidiary of the Issuer;

“Total Net Assets” means the consolidated carrying value of all tangible and intangible assets, excluding any assets under hire purchase or finance lease arrangements, including total current assets net of current liabilities and excluding current maturities of any debt or finance lease obligations, as adjusted for consolidation adjustments;

“Transfer Agent” means Deutsche Bank Luxembourg S.A.;

“Trustee” means Deutsche Trustee Company Limited as trustee on behalf of the holders of the Notes;

“United States” or “U.S.” means United States of America;

“U.S. Exchange Act” means that the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder; and

“U.S. Securities Act” means the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

PRESENTATION OF INDUSTRY AND MARKET DATA

In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. The market data and certain economic and industry data and forecasts used in this Offering Memorandum were obtained from governmental and other publicly available information and independent industry publications, including industry and market data published by LMC Automotive Limited and other third-party sources. In particular, we base our estimates on the growth of the markets in which we operate and our respective market share on a combination of internal market analysis, expert interviews and, to the extent available, external empirical analyses such as LMC Automotive which allows us to also estimate our market position. We calculate our current market share across products by comparing our sales volume to the estimated total volume of the market, derived from external market analyses provided by LMC, taking into account the car platforms awarded by OEMs and the respective supply volumes (for both domestic and export markets). We believe that estimates of the total volume of the automotive market are reasonable as a result of the limited number of OEMs active in the automotive market and available market knowledge on the size of the relevant car platforms. To determine the categorization of premium vehicles, we rely on our internal market knowledge and expertise, and reference to external market data providers such as LMC Automotive.

Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that there can be no assurance as to the accuracy and completeness of such information. We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified any of the data from third party sources. The information from LMC Automotive referenced in this Offering Memorandum has been accurately reproduced and, as far as we are aware and able to ascertain from such information, no facts have been omitted which would render the information reproduced herein inaccurate or misleading. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as the other forward-looking statements in this Offering Memorandum.

We cannot assure you that any of the assumptions underlying any statements regarding the automotive products industry are accurate or correctly reflect our position in the industry. Market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that (i) the markets are defined differently, (ii) the underlying information was gathered by different methods and (iii) different assumptions were applied in compiling the data. Accordingly, the market statistics included in this Offering Memorandum should be viewed with caution and no representation or warranty is given by any person, including us and the Joint Lead Managers, as to their accuracy.

Elsewhere in this Offering Memorandum, statements regarding the automotive products industry are not based on published statistical data or information obtained from independent third parties, but are based solely on our experience, our internal studies and estimates, and our own investigation of market conditions. We cannot assure you that any of these studies or estimates are accurate, and none of our internal surveys or information have been verified by any independent sources. While we are not aware of any misstatements regarding our estimates presented herein, our estimates involve risks, assumptions and uncertainties and are subject to change based on various factors, including those discussed under the heading “*Risk Factors*” in this Offering Memorandum.

SUMMARY

This summary highlights certain information about our business and the Offering described elsewhere in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information included in this Offering Memorandum, including our Financial Statements and the related notes thereto.

You should read carefully the entire Offering Memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the risks discussed under the caption “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Overview

We are a leading global tier 1 supplier of rear view vision systems and interior and exterior modules (including door panels, instrument panels and bumpers) to automotive OEMs primarily for use in the production of light vehicles. We are a member of SMG, one of the largest India-based global tier 1 automotive suppliers and subsidiary of MSSL (listed in India with a market capitalization of \$5.7 billion as of the date of this Offering Memorandum), contributing approximately 76% of MSSL’s consolidated revenues for the fiscal year ended March 31, 2016. We have long-term relationships with 14 of the top 15 global OEMs by 2015 production volume and our OEM customers collectively represented over 85% of global automotive production in 2015. We currently supply our products to over 600 vehicle programs and model derivatives. In addition, we believe that we have held for the last three years leading market share in our key product segments and geographies, particularly in the premium segment (which includes brands such as Audi, BMW, Jaguar Land Rover, Porsche, Mercedes-Benz and others), on which we are especially focused. We are active across the phases of our products’ lifecycles, from product conception, design, styling, prototyping and validation to the manufacture, assembly and subsequent delivery of fully-engineered assembled products. We have a presence in each major global automotive production region, with 47 production facilities spread among 16 countries and we employed over 22,000 employees as of March 31, 2016. We believe that our parent MSSL is a market leader in the Indian wiring harness space with a market share of over 65% based on management estimates.

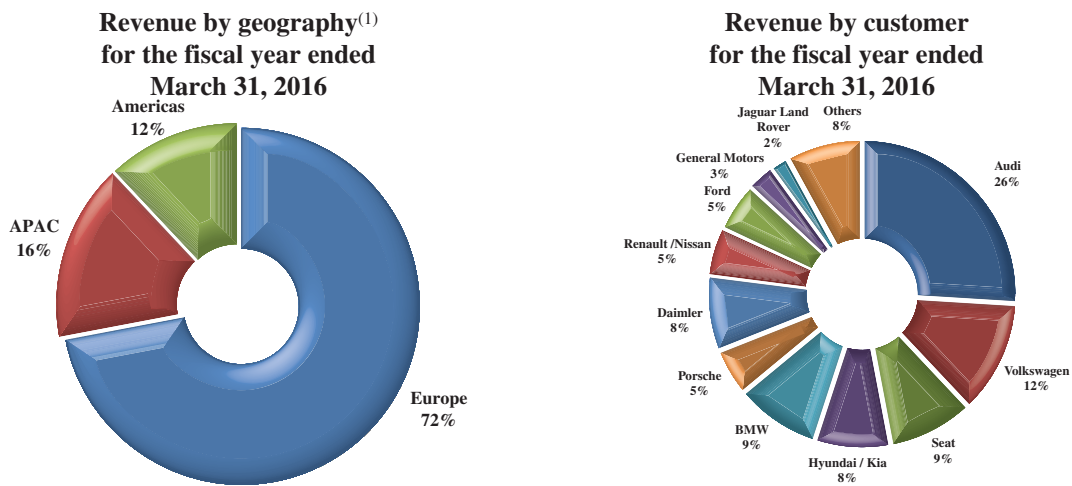
We operate our business through two main divisions:

- *SMR—Rear view vision systems:* Through our SMR division we produce a wide range of interior and exterior rear view vision systems. SMR’s mirrors are engineered to optimize aerodynamic properties and integrate technologically advanced features that enhance safety, comfort and aesthetics. SMR focuses on the premium segment, with a product portfolio that covers a wide spectrum of vehicle and price segments, from low-cost mirrors to highly complex premium mirrors incorporating a variety of electronic features. SMR is a leading supplier of exterior mirrors, with a global market share of 24% by volume in 2015. From its division headquarters in Stuttgart, Germany, SMR operated 20 manufacturing facilities and two logistics centers in 14 countries across Europe, Asia and the Americas as of March 31, 2016. For the fiscal year ended March 31, 2016, SMR generated €1,395.9 million of revenue, €145.4 million of EBITDA translating into a 10.4% EBITDA margin and Adjusted EBITDA of €145.4 million translating into a 10.4% Adjusted EBITDA margin.
- *SMP—Interior and exterior modules:* Through our SMP division we produce various polymer-based interior and exterior modules, extruded and injection-molded exterior and interior components made of metal and plastic. SMP focuses on the premium segment and its product portfolio is primarily comprised of complete modules, including door panels, instrument panels and bumpers as well as other plastic components and systems, such as center consoles, decorative interior trims and plastic body parts. SMP is also one of the global leaders in plastic technologies that develop and manufacture profiles and molded parts made of thermoplastics as well as hybrid components made of metal and plastic. These products involve a complex manufacturing and assembly processes, require significant systems integration expertise and represent key comfort and aesthetic features of the vehicles in which they are integrated. SMP is a leading global supplier in a premium segment of door panels, instrument panels and bumpers,

with a global market share of 27%, 10% and 18%, respectively, by volume in 2015. From its division headquarters in Bötzingen, Germany, SMP operated 27 manufacturing facilities and nine logistics centers in nine countries across Europe, Asia and the Americas as of March 31, 2016. For the fiscal year ended March 31, 2016, SMP generated €2,617.6 million of revenue and €146.4 million of EBITDA, representing an EBITDA margin of 5.6% and Adjusted EBITDA of €168.2 million, representing Adjusted EBITDA margin of 6.4%.

The Issuer is a holding company formed by SMG on October 7, 2011 and holds equity interests in SMR and SMP, which were acquired by SMG on March 6, 2009 and November 23, 2011, respectively. SMG also acquired Scherer & Trier on January 30, 2015, which now forms part of SMP's business. We believe that SMG was the largest India-based automotive supplier by revenue in 2015, with a diversified business portfolio, including wiring harness, rear view mirrors, polymer processing and tooling, elastomer processing, machined metal components and environment management systems. SMR and SMP comprise SMG's main international operations.

In the fiscal year ended March 31, 2016, we generated €4,012.7 million of revenue and €291.8 million of EBITDA, representing an EBITDA margin of 7.3% and Adjusted EBITDA of €313.6 million, representing Adjusted EBITDA margin of 7.8%. The following diagram illustrates our revenue breakdown by region and customer for the fiscal year ended March 31, 2016.



(1) The revenue breakdown is shown by manufacturing location of our products and does not reflect OEM exports of our products.

Our Key Strengths

We believe that our key competitive strengths are as follows:

Consistent leading position by global market share

We believe that we have leading market positions in each of our main product segments across several of the regions and market segments in which we operate. Through our SMR division, we have maintained global leadership in the rear view vision systems market, with an extensive product portfolio covering a wide spectrum of vehicle segments. In 2015, we believe that we were a leading global supplier of both exterior and interior rear view mirrors for light vehicles in the European, American and Asia Pacific regions. Our global market share for exterior mirrors reached 24% based on production volumes for light vehicles according to LMC Automotive. Through our SMP division, we held leading market positions across our main product segments in the last three years, including door panels, instrument panels and bumpers, both in the European premium segment and globally. The following table sets forth our global market shares across our product segments for the twelve months ended March 31, 2014, 2015 and 2016 (for a description of our leading market positions across our geographies, see “*Industry and Market Data—Competitive landscape*”).

Product	Global Market share		
	2014	2015	2016
Exterior rear-view mirrors	22%	22%	24%
Interior rear-view mirrors	9%	9%	8%
Bumpers ^(a)	18%	18%	18%
Instrument panels ^(a)	9%	8%	10%
Door panels ^(a)	23%	22%	27%

Source: LMC Automotive and Company estimates.

^(a) Premium segment only.

We are one of the few global producers across our main product segments and our leading market positions are supported by significant barriers to entry. Such significant barriers include the high degree of product complexity and required systems integration expertise inherent in our product offering, particularly in the premium segment, our established strategic relationships with the largest global OEMs and our extensive global footprint. We also believe our strong and comprehensive research and development capabilities will continue to support our leading market positions by driving innovation, expanding our product portfolio and enabling us to capitalize on opportunities to capture a greater total value content in individual vehicle model programs.

Strategic long-standing customer relationships with leading global OEMs

We believe we are a trusted partner and a strategic Tier 1 supplier to leading global OEMs and have well-established strategic relationships with several of our customers, including Volkswagen group (Audi, Volkswagen, SEAT and Porsche), Daimler, BMW, Hyundai, Kia, Renault-Nissan, Ford, Jaguar Land Rover, Chery, Scania, General Motors, Volvo and Toyota. Our OEM customers collectively represented over 85% of global automotive production in 2015 and the average relationship duration with our top seven OEM customers (including Volkswagen group, BMW, Hyundai/Kia, Renault Nissan, Ford, Daimler and General Motors) is approximately 40 years. In addition, over 90% of our sales by volume for 2015 were to investment-grade OEMs. Recently, we have added who we believe are potential industry changing companies to our list of OEM customers, such as Tesla and Faraday Future.

We believe our ability to support OEMs in every phase of product development process differentiates us from many of our competitors and, given the substantial investment and time that would be required to replicate our global operations, strengthens our status as a preferred partner to the leading OEMs in the automotive industry. As a result of such status, we are regularly able to engage our customers during the early stages of collaborative development projects, which regularly enables us to recommend and incorporate our products into potential designs in advance of our receipt of any formal contract award from our OEM customers. We believe that such collaboration, when combined with our close proximity to our customers, our technological leadership and our demonstrated reliability, have enabled us to maintain a strong track record of repeat orders. As a result of strong

growth both within and beyond our established customer relationships, the total number of OEM vehicle programs and model derivatives that we supply has increased significantly from 289 in the fiscal year ended March 31, 2012 to approximately 600 in the fiscal year ended March 31, 2016, with OEM contracts booked to supply to approximately 650 vehicle programs and model derivatives in the fiscal year ended March 31, 2017, which we believe would allow us to diversify our revenue streams.

Well-invested global footprint with close proximity to OEM customers and a focus on emerging markets

We believe we are one of the few suppliers in our product segments with a global engineering and manufacturing presence and we believe our strong geographical diversification enables us to capitalize on global growth opportunities while mitigating the impact of any regional demand fluctuations. We have global manufacturing, engineering and customer support capabilities, with 47 manufacturing and assembly plants and 11 logistics centers and 25 development, project management and sales centers in 16 countries. We have made substantial investments in recent years to expand our global footprint in line with the global shifts in production capacity of our customers, who we believe are becoming increasingly more reliant upon suppliers with global operations. For instance, since 2012, we have opened three new production sites in Europe (Germany and Hungary) and nine new production sites outside of Europe, including seven sites in Asia (China, India and Thailand) and two sites in the Americas (the U.S., Mexico and Brazil), and have been awarded significant new orders from OEMs, including Daimler and Audi. As a result of our global expansion, we derive a substantial portion of our revenue from emerging markets (which includes our operations in Asia, Latin America and Eastern Europe) and we believe we are well positioned to capitalize on future growth in such markets. In addition, our global expansion has further diversified our business and has enabled us to develop a cost-effective global procurement network with alternative sourcing options for most of our essential inputs.

Our global footprint has also enabled us to strategically locate our facilities within close proximity to the plants of our OEM customers. We believe such proximity enhances our ability to supply our customers in a timely and cost-efficient manner, particularly with respect to the majority of our interior and exterior modules, including door panels, instrument panels and bumpers, which cannot typically be transported efficiently. In addition, consumer demand for vehicle personalization in the premium segment has increased the complexity of our interior and exterior modules, some of which could have hundreds of potential permutations and combinations. To overcome these challenges, we assemble our products in close proximity to the plants of our OEM customers, and deliver them on a “just-in-time” and “just-in-sequence” basis directly to our customers’ production lines with minimal lead times. As a result, we believe we are able to increase the efficiency of our customers’ supply chains and strengthen our status as a preferred supplier.

Strong research and development capabilities and a track record of innovation

We are committed to technological leadership and the development of innovative and high quality products in order to meet both the growing demands of our customers with regard to product complexity and feature content as well as increasingly stringent environmental goals and regulatory requirements. Many of our products utilize environmentally friendly and lightweight materials and are manufactured using state-of-the-art technologies that provide superior safety, comfort and design. As of March 31, 2016, we have an engineering staff of over 960 people and we maintain a portfolio of over 930 patents with over 170 pending patent applications. In addition, we have 22 centers of excellence for project management and advanced engineering. Our design and research centers are interconnected and share innovations and technological advancements across our global network, which enables us to efficiently improve our products and deliver value-added solutions on a global scale and in a cost-efficient manner. Our dedication to technological leadership has enabled us to maintain a long track record of introducing market-first products, including certain Blind Spot Detection Systems, Telescopic Trailer Tow mirrors, door panels manufactured using innovative lightweight and recyclable natural fiber materials, heated interiors and vision-based sensor technology. Our strong research and development capabilities have historically enabled us to develop a diversified and comprehensive product portfolio across rear view mirrors, door panels, instrument panels, bumpers and other interior and exterior components. When combined with our ability to offer a full range of system solutions resulting from the vertical integration of our operations, including our strong in-house

sourcing capabilities, we have historically been able to utilize our product portfolio to increase the content per vehicle that we supply across each of our customers' vehicle platforms.

High revenue visibility, underpinned by a strong track record of repeat business and diversified Order Book

We benefit from strong mid-term revenue visibility, with an estimated Order Book of €13.5 billion as of March 31, 2016, which represents the sales that we expect to record in the event we receive firm orders under contracts for vehicle programs that we have been awarded by OEMs but which are not yet in production and is comprised of both incremental and repeat business. Our Order Book reflects our focus on growth outside of Europe and is diversified across geographies and customers. We believe the potential revenue realization from these contracts positions us well for growth in the mid-term. Our contracts typically extend over the life of the vehicle program (generally at least five years). In addition, visibility over our revenues is enhanced by our strong track record of winning repeat orders and being awarded contracts for subsequent generations of a particular vehicle model, as well as by the unlikelihood that one of our customers switches suppliers once a project has been nominated to a preferred supplier, given the prohibitive operational, technical and logistical costs of switching. As a result, while the actual revenues which we derive from a project ultimately depend on our OEM customers' production volumes achieved for the respective car models, we believe we have good visibility of mid-term revenues within a relatively small range of sensitivity. In addition, we believe that our focus on research and development helps us generate cross-sell opportunities and increase content per vehicle that we supply without compromising our pricing, which we believe helps differentiate ourselves from our competitors and contribute to the high barriers to entry to the automotive industry.

See “*Presentation of Financial and Other Information—Order Book*” and “*Risk Factors—Risks Relating to Our Business—Our Order Book may not be indicative of our future revenue.*”

Highly experienced management team with excellent track record

We benefit from a strong professional management team, with average automotive industry experience among our senior managers of over 25 years. The majority of our team has been with SMG or its legacy businesses for several years, demonstrating a high degree of continuity and commitment in our leadership. Our management team has a demonstrated track record of achieving improved financial results and has solidified the customer relationships of SMR and SMP as well as enhanced their respective local management teams. In addition, we have experienced and stable senior managers at the regional levels with significant experience and understanding of their respective markets and regions. Our strategy is to empower local management, ensuring they have ownership of day-to-day operational decisions while being guided by central principles aligned to the Group's vision and strategy. We believe that the strength of our management team combined with our decentralized business model enables us to take advantage of strategic market opportunities, to make decisions at the local level quickly and to better serve our customers.

As a result of the foregoing, we have been able to successfully achieve operational improvements, increase operating margins and leverage our long-standing relationships with OEMs to drive revenue growth and win new and repeat business. We have improved SMR's Adjusted EBITDA margin from 6.6% for the fiscal year ended March 31, 2013 to 10.4% for the fiscal year ended March 31, 2016, while SMP's Adjusted EBITDA margins have improved from 3.3% for the fiscal year ended March 31, 2013 to 6.4% for the fiscal year ended March 31, 2016.

Committed, well capitalized Indian parent company

We benefit from strong sponsorship from SMG, our parent company, which is one of the largest India-based global tier 1 automotive suppliers, and by virtue of being a subsidiary of MSSL (listed in India with a market capitalization of \$5.7 billion as of the date of this Offering Memorandum). Established in 1975 by the Sehgal family, SMG supplies to leading automotive OEMs and, as of March 31, 2016, had presence across 25 countries, operated over 180 manufacturing plants and employed over 75,000 workforce globally. We believe that SMG is financially strong, with superior profitability, margins, strong cash flow, liquidity position and limited debt, with operations in India that has high future growth. SMG's business portfolio comprises wiring harness, rear view mirrors,

polymer processing and tooling, elastomer processing, machined metal components and environment management systems. SMG's flagship company, MSSSL is a publicly-listed Indian company with consolidated revenue of \$5.7 billion for the fiscal year ended March 31, 2016 and a market capitalization of \$5.7 billion as of the date of this Offering Memorandum. See "*—Our History and Our Shareholder.*" SMG provides day-to-day operational support in the form of in-house sourcing of raw materials and shared support services and resources.

We believe that SMG's OEM customers welcomed its acquisition of SMR and SMP based on SMG's track record of delivering high-quality multi-product solutions, its longstanding OEM relationships and extensive geographic footprint. We currently form a vital part of SMG, contributing approximately 76% of MSSSL's consolidated revenues for the fiscal year ended March 31, 2016, and are a key driver of growth in its international portfolio. Accordingly, in connection with SMR's and SMP's respective acquisitions, SMG has historically demonstrated a strong commitment to our success, providing support in the form of shareholder loans, equity injections and corporate guarantees in order to foster our growth and integrate the newly acquired businesses. Additionally, Mr. Vivek Chaand Sehgal, the chairman of SMG, currently serves on our Supervisory Board. SMG provides day-to-day operational support in the form of in-house sourcing of raw materials and shared support services and resources.

Our Strategy

We have adopted the vision of SMG, which is to be a globally preferred solutions provider in the automotive industry. We aim to achieve this by pursuing the following strategic actions that we have established based on the philosophy of SMG, which includes focusing on consistent outstanding performance, strengthening customer relationships built on trust, pursuing greater client engagement, increasing the content per vehicle that we supply and developing long-term sustainable value creation.

Retain and strengthen our technological leadership through continued focus on research and development and innovation

We are focused on retaining and strengthening our technological leadership through the continued development of innovative products, which we believe will enable us to expand our diversified products portfolio and drive increased product orders going forward. We intend to continue to focus our research and development capabilities on four key areas:

- *Safety*: Developing intelligent features to enhance passenger and pedestrian safety, such as integrated sensors, intelligent camera-based object detection solutions, lane departure warning systems and mirror-integrated blind spot warning lights, and mirror replacement camera monitoring systems.
- *Environment*: Using environmentally-friendly and recyclable materials and reducing component size and weight to minimize material and fuel consumption, such as through the application of lightweight natural fibers in interior systems.
- *Performance/efficiency*: Optimizing usability through smarter design, the use of new materials and the integration of attractive, value-added features such as vehicle occupant interface displays and controls.
- *Aesthetics*: Improving the aesthetic features of passenger cars through the introduction of new styling solutions, such as high gloss finishes and decorative metallized surfaces

We believe our track record and reputation of technological leadership has positioned us as a preferred partner for collaborative research and development with leading OEMs. We intend to continue to pursue collaboration opportunities with our existing customers, offering them our full suite of development capabilities and jointly developing innovative solutions to cater to their needs. We also intend to continue to promote the sharing of knowledge and experience among our product development personnel across our different geographies to ensure that our most up-to-date expertise and solutions are available globally. Through our focus on technological leadership and the design and production of innovative products and solutions, we aim to further strengthen our position as the partner of choice in providing innovative and complex products which meet changing consumer needs.

In 2015, we formed “Motherson Innovations”, a dedicated group of experts from various departments, which aims to develop groundbreaking technologies. Motherson Innovations’ objective is to enter new and attractive market segments with innovative products, and to provide the Group with a range of cutting edge solutions and high value product offerings. The team consolidates skilled engineers, researchers and business developers of the Group’s subsidiaries to one tightly cooperating organization, thereby creating synergies. We believe our team members are well-connected to many of the world’s leading technology specialists and to the global network of the Group. Motherson Innovations is part of SMG’s Vision 2020, which we believe has high potential for long-term growth.

Continue our disciplined global expansion and diversification through selective investments backed by new orders

We intend to continue to diversify and grow our global footprint in line with the international expansion of our main OEM customers’ production footprints, particularly in emerging markets in Asia and the Americas. We believe these geographies offer both a low cost base and attractive growth potential in the near future and that such growth will enhance the resilience of our business by reducing our dependence on the European automotive market. We also plan to diversify our customer base by increasing engagement with Chinese and Japanese OEMs. In line with this strategy, our capital expenditure has historically been associated with disciplined growth, generally tied to specific client project nominations, such as our recent construction of new facilities in Germany and China, which are linked to orders from certain of our customers. From the fiscal year ended March 31, 2013 through the fiscal year ended March 31, 2016, we invested €673.8 million in capital expenditure, a substantial portion of which was growth capital expenditures related to the construction of new plants in Germany, Hungary, China, India, Thailand, the United States, Mexico and Brazil, as well as our recent plant expansions in Germany, Spain, Mexico and France.

In assessing new investment opportunities, our management team will continue to consider, among other things, whether it believes an investment will result in an attractive internal rate of return. Based on our current business plan, we have utilized a majority of our planned capital expenditure to meet our greenfield and brownfield expansions and we aim to support continued business growth through an expected average gross capital expenditure of approximately €250 million per year over the next two years, of which we expect maintenance capital expenditures of €75 million per year. We are currently focused on utilizing such expenditures for the expansion of our business in Mexico to cater to the US market, and selected regions in Eastern Europe and China, where we believe that growth in light vehicle production volumes will be strongest in the medium-term.

Increase customer penetration and diversification

We intend to continue to strengthen our existing relationships with OEM customers while simultaneously pursuing opportunities to develop new OEM relationships. With respect to our existing customers, we aim to continue to maintain our strong track record of repeat orders as well as expand and strengthen our relationships with these companies as part of our organic growth efforts. We believe we are well-positioned for mid-term growth and increased diversification due to a number of recent new orders from our existing customers. We also intend to capitalize on the current trend of OEMs shifting to global platforms and consolidating their supplier bases so that we can capture a greater total value content in individual model programs. In order to achieve this, we intend to actively manage our key customer accounts to increase customer interaction, collaborate with our customers in the early stages of product development and help our customers optimize their supply chains by managing their lower tier suppliers.

Furthermore, we intend to continue to leverage SMR’s and SMP’s complementary OEM relationships to cross-sell our products to existing customers in order to capture a greater total value content in individual model programs. For example, certain OEMs with no previous ties to SMP have recently solicited bids for interior and exterior modules as a result of their positive experiences and long-standing relationships with SMR. In line with SMG’s 2020 plan, we will aim to reduce our product component, geographic country and customer concentration to less than 15%.

Drive further efficiency and continue to improve our cost base and capex efficiency

We intend to continue to improve the efficiency of our operations and reduce our cost base by taking advantage of our global footprint and economies of scale as well as by targeting savings in our administrative, procurement and production processes. In particular, we are focused on enhancing the vertical integration of our operations by coordinating our manufacturing activities across our Group and through our integrated supply chain, including procurement, inventory management, engineering and design operations. For example, through the collaboration of SMR and SMP engineering teams, we are able to showcase integrated solutions to our customers, as well as purchase certain raw materials inputs, such as resins and paints, on a joint basis in order to achieve cost advantages with key suppliers. In addition, we aim to reduce our dependence on third-party suppliers through the utilization of in-house sourcing options for raw materials and key components. For instance, in our rear view vision systems business, we currently source a portion of several key inputs in-house, including mirror glass, actuators and power- folds, which results in an increased proportion of our in-house value-added content in the modules and systems we assemble and deliver to our customers. We intend to continue to focus on the vertical integration of our operations, which we believe will enable us to further streamline our production processes, achieve shorter development and delivery lead times, exercise significant control over key inputs and processes, enhance quality control and increase supply security.

In 2015, we set up our Global Strategic Procurement (“GSP”) team based in Dubai Airport Free Zone Areas, which consolidated SMG’s purchasing teams in order to take advantage of their purchasing power and align commercial operations. The GSP team comprises members from various entities of SMG (including SMR and SMP) as well as relevant industry experts. The GSP team has commenced its work on commodities such as resins, paints, capex requirements as well as indirect purchase and aims to deliver significant cost savings for SMR, SMP and other parts of SMG.

Over the last two years, we have invested in upgrading our facilities, including setting up new, more efficient and higher capacity paintshops in Germany, Spain and Hungary. We aim to achieve further efficiencies through strategic capital expenditures to upgrade or replace key machinery utilized in our manufacturing and assembly processes, which we believe will increase our production efficiency and output quality, while further reducing fuel consumption. In addition, we intend to continue to monitor our plants’ performance against various key performance indicators while setting ambitious yet achievable targets in the implementation of quality, cost, delivery, development, management, safety, environment and sustainability parameters. Furthermore, we intend to continue to leverage the interconnectivity of our design and research centers and share innovations and technological advancements across our global network, which we believe will enable us to efficiently improve our products and deliver value-added solutions on a global scale and in a cost-efficient manner.

Focus on profitable growth and pursue strategic acquisitions while maintaining our conservative financial policy

Through the implementation of the foregoing strategies, we intend to continue to focus on profitable growth while maintaining adequate liquidity. After giving effect to the Offering, our net leverage ratio (as defined under RCF agreement) would have been 1.8x as of March 31, 2016 and we intend to maintain a conservative financial policy going forward. As part of this strategy we may continue to grow our business through selected, value-accretive acquisitions, to the extent such acquisitions are backed by one or more OEMs and adequately supported by an anticipated increase in the number of customer orders and/or preferential payment terms from OEM customers. Additionally, we may also consider acquisitions to gain access to key technologies and potential synergies. Furthermore, when evaluating potential acquisitions we intend to focus on our long-term conservative financial policy and our ability to return to our targeted leverage levels following such acquisitions.

Our History and Our Shareholder

We are a member of SMG, a diversified group providing integrated full-system solutions to the automotive and related industries, from design and prototyping to tooling, molding, assembly and production of modular components. Established in 1975 by the Sehgal family, SMG is a global Tier 1 supplier to the top ten automotive OEMs and is active across 25 countries, operating over 180 manufacturing plants and employing a global workforce of approximately 75,000 as of March 31,

2016. SMG's business portfolio comprises wiring harness, rear view mirrors, polymer processing and tooling, elastomer processing, machined metal components and environment management systems. SMG's flagship company, MSSSL is a publicly-listed Indian company with consolidated revenue of \$5.7 billion for the fiscal year ended March 31, 2016 and a market capitalization of \$5.7 billion as of the date of this Offering Memorandum.

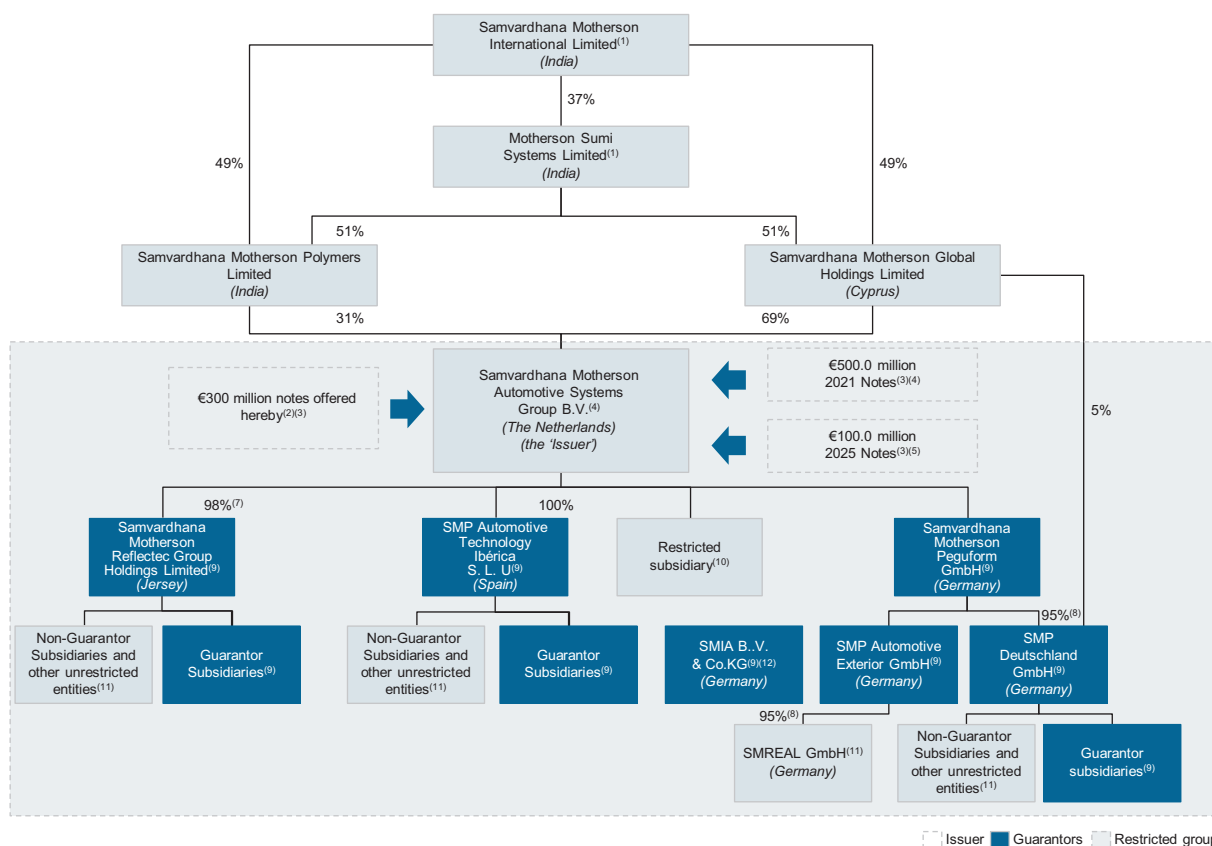
Sumitomo Wiring Systems, wholly-owned subsidiary of Sumitomo Electric Industries (Japan) is a key shareholder of MSSSL. Since 1983, Sumitomo Wiring Systems has provided SMG with technical and personnel training support and engaged in collaborative design and development.

We are a holding company, and our assets consist solely of our equity interests in our subsidiaries, including SMR and SMP, which make up our two divisions. See "*—Corporate Structure and Certain Financing Arrangements.*" SMR was established in Germany in 1935 as Reitter & Schefenacker, and over its nearly 80-year history grew via organic expansion through production capacity increases in Europe, the Americas and the Asia Pacific region. SMP was founded in 1959 under the name Badische Plastikwerke and originally focused on the production of plastic kitchen and household devices. Peguform was acquired in 1978 by British American Tobacco, which changed Peguform's name to Peguform-Werke AG and shifted its focus to supplying plastic components for the automotive industry. Peguform-Werke AG underwent several changes of ownership prior to its acquisition by SMG on November 23, 2011, when it was renamed SMP. Scherer & Trier which was founded in 1967, was acquired by the Group on January 30, 2015 and renamed as SMIA, and is headquartered in Michelau/Oberfranken, Germany. SMIA is an internationally renowned specialist in plastic technologies that develops and manufactures profiles and molded parts made of thermoplastics as well as hybrid components made of metal and plastic. SMIA is part of the SMP division.

The Group has reinvested all cash profits generated in its business since the acquisition of SMR in March 2009 and SMP in November 2011. No cash has been taken out or upstreamed from SMR and SMP in dividends or any other form. All cash profits have been reinvested into the Group for upgrading and building new production facilities and future growth of business.

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following diagram summarizes our corporate structure and principal outstanding financing arrangements after giving *pro forma* effect to the Offering. All entities identified by corporate name below are, unless otherwise noted, indirectly or directly wholly owned. The diagram does not include all entities in the Group nor all of the debt obligations thereof. For a summary of the debt obligations identified below, please see “*Capitalization*,” “*Description of Certain Financing Arrangements*” and “*Description of Notes*.”



- (1) MSSL is a publicly listed company on the Bombay Stock Exchange, under the identifier “517334,” and National Stock Exchange of India, under the symbol “MOTHERSUMI,” and had a market capitalization of \$5.7 billion as of the date of this Offering Memorandum. MSSL is owned by SMIL (37%), Sumitomo Wiring Systems Limited (26%), outside investors (34%) and the Sehgal family (3%). SMIL is owned by the Sehgal family (91%), Sojitz Corporation (6%) and certain employees and management (3%). See “*Principal Shareholders*.”
- (2) The Notes and the Guarantees are or will be secured by security interests granted over the Collateral. To the extent that the Collateral in place at the Issue Date does not extend to secure the Notes, the security interests in the Collateral will be put in place subsequent to the Issue Date. No later than 90 days following the Issue Date, the Notes and the Guarantees will be secured by first-ranking pledges over the Collateral. See “*Description of Notes— Security*.” The Collateral that will secure the Notes and the Guarantees also secures, or will secure, the 2025 Notes, the 2021 Notes, the Revolving Credit Facilities and certain hedging obligations on an equal and ratable first priority basis. The obligations under the Notes will also be subordinated to all other secured debt of the Issuer and the Guarantors to the extent of the value of any collateral securing such debt that does not secure the Notes. The Notes and the Initial Guarantees, if any, may be unsecured on the Issue Date.
- (3) The Notes will be senior obligations of the Issuer and will rank *pari passu* in right of payment with all the Issuer’s existing and future senior obligations that are not subordinated in right of payment to the Notes, including the Issuer’s obligations under the 2025 Notes, the 2021 Notes and the Revolving Credit Facilities. The Issuer’s obligations under the Notes will be structurally subordinated to all existing and future obligations and other liabilities of our subsidiaries that are not Guarantors.
- (4) The 2021 Notes comprise €500 million in aggregate principal amount of 4.125% Senior Secured Notes due July 15, 2021 issued by the Issuer on July 10, 2014. See “*Description of Certain Financing Arrangements—2021 Notes*.”
- (5) The 2025 Notes comprise €100 million in aggregate principal amount of 3.700% Senior Secured Notes due June 18, 2025 issued by the Issuer on June 18, 2015. See “*Description of Certain Financing Arrangements—2025 Notes*.”

- (6) Upon the consummation of the Offering, we intend to use the gross proceeds from the issuance of the Notes, directly or indirectly through the use of intercompany loans or distributions, repayment of existing third party indebtedness and for general corporate purposes, including to make certain capital expenditures. See *“Use of Proceeds.”*
- (7) We hold 94.8% of the share capital of SMP Deutschland, with the remaining 5.2% held by SMGH. We hold 98.45% of the share capital of SMR Jersey, with the remaining 1.55% held by a minority shareholder. We hold 94.8% of SMREAL GmbH, with the remaining 5.2% held by SMGH. The shares of SMP Deutschland owned by SMGH are part of the Collateral securing obligations under the Notes, the 2025 Notes, the 2021 Notes and the Revolving Credit Facilities.
- (8) On or about the Issue Date (and in any event no later than 15 days following the Issue Date), the Notes will be guaranteed on a senior basis by the Initial Guarantors. No later than 90 days following the Issue Date, the Issuer will be required to cause the Post-Closing Guarantors to guarantee the Notes on a senior basis. The Guarantors have also provided, or will provide, guarantees of the Issuer’s and certain of its subsidiaries’ obligations under the 2025 Notes, the 2021 Notes and the Revolving Credit Facilities. The Guarantors were formed under the laws of Germany, Jersey, Spain, Mexico, Cyprus, France, Hungary, Australia, the Netherlands, England and Wales, Delaware and Michigan. Excluding the Restricted Jurisdiction Non-Guarantors, the Issuer and the Guarantors, on a combined basis, represented 96.6% of our revenue and 97.8% of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held 97.1% of our consolidated Total Net Assets as of March 31, 2016. Including the Restricted Jurisdiction Non-Guarantors, the Issuer and the Guarantors, on a combined basis, represented 80.6% of our revenue and 80.3% of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held 73.1% of our consolidated Total Net Assets as of March 31, 2016. The validity and enforceability of the Guarantees and the liability of each Guarantor will be subject to the limitations described in *“Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.”* The Guarantees may be released under certain circumstances. See *“Description of Notes—Guarantees—Release of the Guarantees.”*
- (9) SMP Automotive Interiors (Beijing) Co. Ltd., a direct subsidiary of the Issuer, will not guarantee the Notes and Chinese law prevents the granting of a security interest in its shares. See *“Risk Factors—Risks related to the Notes and the Structure—SMP Automotive Interiors (Beijing) Co. Ltd. does not guarantee the Notes and Chinese law prevents the granting of a security interest by it.”*
- (10) As of March 31, 2016, on an as adjusted basis after giving effect to the Offering, the Non-Guarantor Restricted Subsidiaries would have had €32.7 million of Debt outstanding. We conduct a portion of our business through entities in which we do not hold a 100% interest, including in China through Changchun Peguform Automotive Plastics Technology Co., Ltd. (*“CPAT”*), in which we hold a 50.001% interest, with the remaining interest held by Changshu Automotive Trim Co. Ltd. The results of such entities are fully consolidated with the results of SMR or SMP. We also conduct a portion of our business through certain joint ventures in which we hold 50% or less of the share capital, including in China through Ningbo SMR Huaxiang Automotive Mirrors Co. Ltd. (*“NHG”*). The results of such joint ventures are accounted for in our results under the equity accounting method and such joint ventures will not be members of the restricted group or be subject to the restrictive covenants under the Indenture governing the Notes. See *“Our Business—Joint Ventures.”*
- (11) Samvardhana Motherson Innovative Autosystems B.V. & Co. KG has an unlimited partner Samvardhana Motherson Innovative Autosystems Holding Company B.V., which is held by SMR Jersey.
- (12) On June 17, 2014, SMP Deutschland entered into the Secondary Revolving Credit Facility Agreement in an amount of €50.0 million, which matures in 2016. The borrower under the Secondary Revolving Credit Facility is SMP Deutschland. As of March 31, 2016, there was no outstanding amount under the Secondary Revolving Credit Facility. See *“Description of Certain Financing Arrangements—Secondary Revolving Credit Facility.”*

THE OFFERING

The summary below describes the principal terms of the offering of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “*Description of Notes*” section of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer	Samvardhana Motiherson Automotive Systems Group B.V., a private limited liability company (<i>besloten vennootschap met beperkte aansprakelijkheid</i>) incorporated under the laws of the Netherlands.
Notes Offered	U.S.\$300,000,000 aggregate principal amount of Senior Secured Notes due 2021.
Issue Price	100%.
Issue Date	June 16, 2016.
Maturity Date	December 16, 2021.
Interest Rate	4.875%.
Interest Payment Dates	Interest on the Notes will be payable semi-annually in arrear on June 16 and December 16 of each year, beginning on December 16, 2016. Interest will accrue from the Issue Date.
Form and Denomination	The Issuer will issue the Notes on the Issue Date in global form in minimum denominations of U.S.\$200,000 and in integral multiples of U.S.\$1,000 in excess thereof, maintained in book-entry form. Notes in denominations of less than U.S.\$200,000 will not be available.
Ranking of the Notes	<p>The Notes will:</p> <ul style="list-style-type: none"> • be the general obligations of the Issuer; • be secured by first-ranking Liens over the Collateral at the times and in the manner set forth under the heading “<i>Description of Notes—Security</i>;” • rank equally in right of payment with all of the Issuer’s existing and future debt that is not subordinated in right of payment to the Notes, including the 2025 Notes, the 2021 Notes and debt incurred under the Revolving Credit Facilities; • be senior in right of payment to any of the Issuer’s existing and future obligations that are subordinated in right of payment to the Notes; • be effectively subordinated to any existing and future obligations of the Issuer that are secured by Liens senior to the Liens securing the Notes, or secured by property or assets that do not secure the Notes, to the extent of the value of property and assets securing such obligations; • be structurally subordinated to all existing and future obligations of Subsidiaries of the Issuer that do not provide Guarantees, including trade creditors; and • be guaranteed on a senior basis by the Guarantors at the times and in the manner set forth under the heading “<i>Description of Notes—Guarantees</i>.”
Guarantees	On or about the Issue Date (and in any event no later than 15 days following the Issue Date), the Notes will be guaranteed on a senior basis by Samvardhana Motiherson Peguform GmbH, Samvardhana

Motherson Reflectec Group Holdings Limited, SMP Deutschland GmbH and SMP Automotive Technology Ibérica S.L.U. (the “**Initial Guarantors**”).

No later than 90 days following the Issue Date, the Issuer will be required to cause certain of the following entities (the “**Post-Closing Guarantors**”) to also guarantee the Notes on a senior basis: SMP Logistik Service GmbH, Samvardhana Motherson Peguform Barcelona S.L.U., SMP Automotive Technologies Teruel S.L., SMP Automotive Systems Mexico S.A. de C.V., SMR Automotive Technology Holding Cyprus Limited, SMR Automotive Systems France S.A., SMR Automotive Mirror Technology Holding Hungary Kft., SMR Automotive Mirror Technology Hungary Bt., SMR Holding Australia Pty Limited, SMR Automotive Australia Pty Limited, SMR Automotive Mirror Parts and Holdings UK Limited, SMR Automotive Mirrors UK Limited, SMR Mirrors UK Limited, SMR Automotive Mirror International USA Inc., SMR Automotive Vision Systems Operations USA Inc., SMR Automotive Systems USA Inc., SMR Automotive Mirror Systems Holding Deutschland GmbH, SMR Automotive Beteiligungen Deutschland GmbH, SMR Automotive Systems Spain S.A.U., SMR Automotive Vision Systems Mexico S.A. de C.V., SMR Automotive Mirrors Stuttgart GmbH, Samvardhana Motherson Innovative Autosystems B.V. & Co. KG, Samvardhana Motherson Innovative Autosystems Holding Company B.V., SMP Automotive Exterior GmbH, SMR Grundbesitz GmbH & Co KG and SMP Automotive Systems Alabama Inc.

The Guarantors have also provided, or will provide, guarantees of the Issuer’s and certain of its subsidiaries’ obligations under the 2025 Notes, the 2021 Notes and the Revolving Credit Facilities. The Guarantors were formed under the laws of Germany, Jersey, Spain, Mexico, Cyprus, France, Hungary, Australia, the Netherlands, England and Wales, Delaware and Michigan.

The Notes will also be guaranteed on a senior basis by each future restricted subsidiary of the Issuer subject to certain conditions and only if and to the extent such subsidiary will guarantee indebtedness outstanding under the 2025 Notes, the 2021 Notes, the Revolving Credit Facilities and certain other indebtedness. See “*Description of Notes—Guarantees*” and “*Description of Notes—Additional Guarantees.*”

The Guarantees may be released from time to time as described in “*Description of Notes—Guarantees—Release of the Guarantees.*”

The validity and enforceability of the Guarantees and the liability of each Guarantor will be subject to the limitations described in “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*”

Ranking of the Guarantees Each Guarantee will:

- be a general obligation of the Guarantor that granted such Guarantee;
- be secured by first-ranking Liens over the Collateral at the times and in the manner set forth under the heading “*Description of Notes—Security;*”

- rank equally in right of payment with all existing and future obligations of the applicable Guarantor that is not subordinated in right of payment to such Guarantee, including its obligations under the 2025 Notes, the 2021 Notes and the Revolving Credit Facilities;
- be effectively subordinated to any existing and future obligations of the applicable Guarantor that is secured by Liens senior to the Liens securing such Guarantee, or secured by property or assets that do not secure such Guarantee, to the extent of the value of property and assets securing such obligations; and
- be senior in right of payment to any and all of the applicable Guarantor’s existing and future obligations that are subordinated in right of payment to its Guarantee.

Guarantor Coverage Excluding the Restricted Jurisdiction Non-Guarantors, the Issuer and the Guarantors, on a combined basis, accounted for 96.6% of our revenue and 97.8% of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held 97.1% of our consolidated Total Net Assets as of March 31, 2016.

Including the Restricted Jurisdiction Non-Guarantors, the Issuer and the Guarantors, on a combined basis, accounted for 80.6% of our revenue and 80.3% of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held 73.1% of our consolidated Total Net Assets as of March 31, 2016.

As of March 31, 2016, on an as adjusted basis after giving effect to the Offering, the Non-Guarantor Restricted Subsidiaries would have has €32.7 million of Debt outstanding.

Security The Notes and the Guarantees will be secured by the Collateral. See “*Description of Notes—Security.*” To the extent the Collateral in place at the Issue Date does not extend to secure the Notes and the Guarantees, the security interests in the Collateral will be put in place subsequent to the Issue Date, but no later than 90 days following the Issue Date.

Subject to the terms of the security documents and the Intercreditor Agreement, the obligations of the Issuer and Guarantors under the Notes, the Indenture and the Guarantees will be secured on an equal and ratable basis by the same Collateral that secures or will secure the 2025 Notes, 2021 Notes, the Revolving Credit Facilities and certain hedging obligation counterparties. See “*Description of Certain Financing Arrangements— Intercreditor Agreement.*” The validity and enforceability of the security interests will be subject to the limitations described in “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*” The security interests may be released under certain circumstances. See “*Description of Notes— Security—Releases.*”

Intercreditor Agreement Pursuant to the Intercreditor Agreement, the liens securing the Notes will be first-priority liens that rank equally with the liens that secure or will secure (i) the 2025 Notes, (ii) the 2021 Notes, (iii) obligations under the Revolving Credit Facilities, (iv) certain other future indebtedness permitted to be incurred under the Indenture and (v) certain priority hedging obligations. Such liens are or will be evidenced by security documents for the benefit of (whether directly

or through a security trustee) the holders of the Notes, the holders of the 2025 Notes, 2021 Notes, the lenders under the Revolving Credit Facilities, the counterparties to certain priority hedging obligations and the holders of certain other future indebtedness and obligations. Pursuant to the terms of the Intercreditor Agreement, any proceeds received upon any enforcement action over any Collateral will be applied pro rata in repayment of all obligations under the Indenture, the Notes, the 2025 Indenture, the 2025 Notes, the 2021 Indenture, the 2021 Notes, the Revolving Credit Facilities Agreements, certain hedging obligations and any other indebtedness of the Issuer and the Guarantors permitted to be incurred and secured by Collateral on a *pari passu* basis pursuant to the Indenture and the Intercreditor Agreement. See “*Description of Certain Financing Arrangements—Intercreditor Agreement.*”

Use of Proceeds Upon the consummation of the Offering, we intend to use the gross proceeds from the issuance of the Notes, directly or indirectly through the use of intercompany loans or distributions, repayment of existing third party indebtedness and for general corporate purposes, including to make certain capital expenditures. See “*Use of Proceeds.*”

Optional Redemption The Issuer may:

- redeem the Notes, in whole or in part, at any time on or after June 16, 2019, at the redemption prices described in this Offering Memorandum under the caption “*Description of Notes—Optional Redemption—Optional Redemption on or after June 16, 2019*” plus accrued and unpaid interest, if any, to the date of redemption;
- redeem the Notes, in whole or in part, at any time prior to June 16, 2019, at a redemption price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest, if any, to the date of redemption, plus a “make-whole” premium; and
- prior to June 16, 2019, on one or more occasions, use the proceeds of specified equity offerings to redeem up to 35% of the principal amount of the Notes at a redemption price equal to 104.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, up to the redemption date, provided that at least 65% of the principal amount of the Notes remains outstanding after the redemption.

Tax Redemption If certain changes in the law of any relevant taxing jurisdiction become effective that would impose certain withholding taxes on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. See “*Description of Notes—Optional Redemption—Redemption upon Changes in Withholding Taxes.*”

Additional Amounts All payments made by or on behalf of the Issuer or any Guarantor in respect of the Notes or the Guarantees will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If such withholding or deduction is required by law in any relevant taxing jurisdiction,

	subject to certain exceptions, the Issuer (or Guarantor, as appropriate) will pay additional amounts so that the net amount each holder of the Notes receives is no less than that which the holder would have received in the absence of such withholding or deduction. See “ <i>Description of Notes—Additional Amounts.</i> ”
Change of Control	Upon the occurrence of certain change of control events, the Issuer will be required to offer to repurchase the Notes at a purchase price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to the date of such repurchase. See “ <i>Description of Notes—Certain Covenants—Change of Control.</i> ”
Certain Covenants	<p>The Indenture governing the Notes and the Guarantees will, among other things, restrict the ability of the Issuer and its restricted subsidiaries to:</p> <ul style="list-style-type: none"> • incur or guarantee additional indebtedness and issue certain preferred shares; • pay dividends on or repurchase shares; • redeem or repurchase indebtedness junior to the Notes; • make certain investments; • create certain liens; • merge or consolidate with other entities; • create encumbrances or restrictions on the payment of dividends or other amounts to the Issuer or any other restricted subsidiary; • enter into certain transactions with affiliates; • impair the Collateral; • sell, lease or transfer certain assets, including shares of any restricted subsidiary of the Issuer; and • guarantee certain types of other indebtedness of the Issuer and its restricted subsidiaries without also guaranteeing the Notes. <p>Each of the covenants is subject to significant exceptions and qualifications. See “<i>Description of Notes—Certain Covenants.</i>”</p>
Transfer Restrictions	The Notes have not been, and will not be, registered under the laws of the U.S. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or not subject to the registration requirements of the U.S. Securities Act or, in case of Notes offered or sold to investors that are resident in a member of the European Economic Area, the Notes may be offered and sold only to qualified investors.
No Established Public Market of the Notes	The Notes will be new securities for which there will be no established trading market. Accordingly, there can be no assurances as to the development or liquidity of any market for the Notes.
Listing	Application has been made to list the Notes on the Irish Stock Exchange and for the Notes to be admitted to trading on the Global Exchange Market.
Governing Law	The Indenture, the Guarantees and the Notes will be governed by and construed in accordance with the laws of the State of New York.

The Existing Revolving Credit Facilities Agreement, the Secondary Revolving Credit Facility Agreement and the Intercreditor Agreement are governed by and construed in accordance with the laws of England and Wales.

Trustee	Deutsche Trustee Company Limited.
Transfer Agent and Registrar	Deutsche Bank Luxembourg S.A.
Paying Agent	Deutsche Bank AG, London Branch.
Security Agent	Wilmington Trust (London) Limited.
Listing Agent	Davy.
Risk Factors	Investing in the Notes involves substantial risks. Prospective investors should refer to “ <i>Risk Factors</i> ” beginning on page 24 for a discussion of certain factors that they should carefully consider before deciding to invest in the Notes.

SUMMARY OF HISTORICAL CONSOLIDATED AND COMBINED FINANCIAL AND OTHER INFORMATION

The Financial Statements of the Issuer have been prepared in accordance with EU IFRS.

During the fiscal year ended March 31, 2014 the Issuer changed its financial year from December 31 to March 31. Consequently, the financial period before this change presented as comparative financial information in the Consolidated Financial Statements comprises the fifteen month period beginning January 1, 2013 and ending March 31, 2014.

On June 13, 2014, the Issuer acquired a 98.45% shareholding of SMR from SMGH in a share exchange deal pursuant to which SMGH transferred its entire shareholding (including shares acquired on June 9, 2014 from minority shareholders) to the Issuer in exchange for 45,676 shares with nominal value of €1 each issued by the Issuer. Consequently, The Issuer became a subsidiary of SMGH. Shareholders of the Issuer have approved the allotment of shares to SMGH in their meeting dated June 13, 2014.

As this transaction was completed under “common control” as defined by IFRS, the activities of SMR have been included in the Issuer’s Consolidated Financial Statements from January 1, 2013 under the presumption that SMR has been part of the Group since its acquisition by SMGH. Consequently, the Issuer’s Consolidated Financial Statements for each of the fiscal years ended March 31, 2015 and 2016 have been prepared by consolidating the financial results of SMR for twelve months beginning April 1, 2014 and ending March 31, 2015 and for twelve months beginning April 1, 2015 and ending March 31, 2016, respectively, and corresponding results for SMR’s previous financial year were incorporated in the Issuer’s results for the fifteen month period beginning January 1, 2013 and ending March 31, 2014.

However, all the financial information in this Offering Memorandum, has been reproduced for fiscal years ended March 31, 2014, 2015 and 2016 for purposes of comparison. Information for the fiscal year ended March 31, 2015 and 2016 have been taken from the Consolidated Financial Statements and information for the fiscal year ended March 31, 2014 has been taken from the Combined Financial Statements.

In preparing the Combined Financial Statements, certain adjustments have been made to the historical income statements of SMR and SMP to reflect the unified presentation of financial statements, including certain reclassifications to (i) conform the line items of SMR’s income statement to the line items of SMP’s income statement, (ii) effect the change in SMP’s financial year from December 31 to March 31, (iii) align the accounting policies of SMR and SMP (including the conversion of SMR from IASB IFRS to EU IFRS) and (iv) reflect the application of IAS 19R (*Employee Benefits*) throughout the fiscal year ended March 31, 2014.

The tables below also include unaudited as adjusted financial data reflecting certain effects of the Offering on our financial position and cash interest expense as of and for the fiscal year ended March 31, 2016 as if the Offering had occurred (i) on March 31, 2016 for the purposes of the calculation of our cash and cash equivalents, total external borrowings and net external borrowings and (ii) on April 1, 2015 for the purposes of the calculation of our cash interest expense. The unaudited as adjusted financial data have been prepared for illustrative purposes only and does not purport to represent what our actual financial position or cash interest expense would have been if the Offering had occurred (i) on March 31, 2016 for the purposes of the calculation of our cash and cash equivalents, total external borrowings and net external borrowings and (ii) on April 1, 2015 for the purposes of the calculation of our cash interest expense, nor do they purport to project our financial position and cash interest expense at any future date. The unaudited as adjusted financial data set out in this Offering Memorandum are based on available information and certain assumptions and estimates that we believe are reasonable but may differ materially from the actual amounts.

We also present certain Non-IFRS Measures and operating metrics, in addition to our IFRS measures, used by our management to evaluate, monitor and manage our business. None of these terms are measures of financial performance under IFRS, and so they should not be considered to be alternatives to our IFRS results. These terms may not be comparable to similar terms used by competitors or other companies. See “*Presentation of Financial and Other Information—Non-IFRS Financial and Operating Information.*”

Prospective investors below should read the summary data presented below in conjunction with “Use of Proceeds,” “Capitalization,” “Selected Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Financial Statements and the related notes thereto, included elsewhere in this Offering Memorandum.

Income Statement

	Fiscal year ended March 31,		
	2014 <i>(combined)</i>	2015 <i>(consolidated)</i>	2016 <i>(consolidated)</i>
		<i>(€ thousands)</i>	
Revenue	2,996,930	3,484,067	4,012,724
Changes in inventories	3,082	16,118	(7,601)
Cost of materials	(1,978,013)	(2,340,498)	(2,564,913)
Personnel expenses	(571,465)	(637,202)	(785,428)
Depreciation and amortization	(86,361)	(86,997)	(121,939)
Other operating income	66,258	78,104	43,291
Other operating expenses	(311,350)	(341,096)	(406,240)
Results from operating activities	119,081	172,496	169,894
Finance income	16,531	1,781	2,136
Finance costs	(30,496)	(41,497)	(40,507)
Finance costs (net)	(13,965)	(39,716)	(38,371)
Share of after-tax profits/(losses) of joint venture accounted for under the equity method	3,192	9,400	11,556
Share of after-tax profits/(losses) of associate accounted for under the equity method	(48)	33	(23)
Earnings before taxes (EBT)	108,260	142,213	143,056
Income taxes	(28,552)	(30,202)	(29,127)
Profit/(Loss) for the year	79,708	112,011	113,929
Thereof profit/(loss) for the year attributable to:			
Equity holders of the group	62,284	94,897	97,281
Non-controlling interests ⁽¹⁾	17,424	17,114	16,648
Profit/(Loss) for the year	79,708	112,011	113,929

(1) Non-controlling interests relate to Changshu Automotive Trim Co. Ltd., which holds a 49.999% interest in our subsidiary CPAT; SMGH, which holds a 5.2% interest in SMP Deutschland and holds 5.2% in SM Real Estate GmbH; MSSL, an SMG company which holds a 49.0% interest in SMR Automotive Systems India Ltd.; Dr. Alfred R. Schefenacker, who holds 6.93% of SMR Grundbesitz GmbH and Co. KG and holds 1.55% of SMR Jersey; and Jae Seok Kim, who holds a 10.1% interest in SMR Poong Jeong Automotive Mirrors Korea Limited. In May 2016, SMR Poong Jeong Automotive Mirrors Korea Limited (name changed to SMR Automotive Modules Korea Co. Ltd. with effect from May 4, 2016) bought back 81,660 shares from its minority shareholder Mr. Jae Seok Kim. Pursuant to this transaction, this subsidiary has become a 100% subsidiary of SMR Jersey.

Balance Sheet

	As of March 31,		
	2014 <i>(combined)</i>	2015 <i>(consolidated)</i>	2016 <i>(consolidated)</i>
	<i>(€ thousands)</i>		
Assets			
Total non-current assets	693,763	912,374	1,043,905
Total current assets	686,928	885,328	940,460
<i>Of which cash and cash equivalents</i>	<i>85,701</i>	<i>184,144</i>	<i>192,518</i>
Total assets	1,380,691	1,797,702	1,984,365
Liabilities			
Total non-current liabilities	398,012	612,335	689,370
<i>Of which financial liabilities</i>	<i>266,557</i>	<i>514,198</i>	<i>600,864</i>
Total current liabilities	782,650	849,965	890,853
<i>Of which financial liabilities</i>	<i>165,169</i>	<i>71,141</i>	<i>93,611</i>
Total liabilities	1,180,662	1,462,300	1,580,223
Equity			
Shareholder's Equity	151,494	267,548	333,347
Non-controlling interests	48,535	67,854	70,795
Total equity	200,029	335,402	404,142
Total equity and liabilities	1,380,691	1,797,702	1,984,365

Cash Flow Statement

	For the fiscal year ended March 31,		
	2014 <i>(combined)</i>	2015 <i>(consolidated)</i>	2016 <i>(consolidated)</i>
	<i>(€ thousands)</i>		
Cash flow from operating activities	240,001	313,746	171,213
Cash flow from investing activities	(116,732)	(242,180)	(228,132)
Cash flow from financing activities	(95,071)	24,183	70,139
Net increase in cash and cash equivalents	28,198	95,749	13,220
Cash and cash equivalents at the beginning of the period	58,887	85,701	184,144
Variation in cash and cash equivalents from translation in foreign currencies	(1,384)	2,694	(4,846)
Cash and cash equivalents at the end of the period	85,701	184,144	192,518

Revenue by geographical area⁽¹⁾

	Fiscal year ended March 31,		
	2014 <i>(combined)</i>	2015 <i>(consolidated)</i>	2016 <i>(consolidated)</i>
	<i>(€ thousands)</i>		
Europe	2,073,911	2,449,631	2,898,153
Asia Pacific	562,740	627,122	640,422
Americas	360,279	407,314	474,149
Total	2,996,930	3,484,067	4,012,724

(1) The revenue breakdown is shown by manufacturing location of our products and does not reflect OEM exports of our products.

Revenue by country⁽¹⁾

	Fiscal year ended March 31,		
	2014	2015	2016
	(<i>€ thousands</i>) <i>Unaudited</i>		
Germany	918,786	1,142,836	1,515,930
Spain	587,787	684,744	732,460
Hungary	304,541	321,260	337,155
China	243,563	262,900	234,783
South Korea	177,467	218,803	246,633
United States	146,039	194,845	256,498
United Kingdom	138,747	147,056	154,456
Mexico	109,075	114,126	130,066
Brazil	105,164	98,341	87,584
Others	265,761	299,156	317,159
Total	2,996,930	3,484,067	4,012,724

(1) The revenue breakdown is shown by manufacturing location of our products and does not reflect OEM exports of our products.

Other Financial and Adjusted Data

Other Financial Data	As of and for the fiscal year ended March 31,		
	2014	2015	2016
	(<i>€ thousands except for percentages</i>) <i>Unaudited</i>		
Revenue ⁽¹⁾	2,996,930	3,484,067	4,012,724
<i>Of which SMR</i> ⁽¹⁾	1,082,140	1,238,326	1,395,852
<i>Of which SMP</i> ⁽¹⁾	1,915,867	2,246,068	2,617,562
EBITDA ⁽²⁾	205,442	259,493	291,833
EBITDA margin ⁽³⁾	6.9%	7.4%	7.3%
Adjusted EBITDA ⁽⁴⁾	203,605	245,176	313,593
<i>Of which SMR</i>	101,331	121,127	145,438
<i>Of which SMP</i>	102,274	124,049	168,155
Adjusted EBITDA margin ⁽⁵⁾	6.8%	7.0%	7.8%
<i>Of which SMR</i>	9.4%	9.8%	10.4%
<i>Of which SMP</i>	5.3%	5.5%	6.4%
Net working capital ⁽⁶⁾	153,229	67,212	92,759
Total external borrowings ⁽⁷⁾	431,726	585,339	694,475
Net external borrowings ⁽⁸⁾	346,025	401,195	501,957
Capital expenditure ⁽⁹⁾	124,382	217,655	231,389

As Adjusted Financial Data

(*€ millions, other than ratios*)

As adjusted cash and cash equivalents ⁽¹⁰⁾	397.5
As adjusted total external borrowings ⁽¹¹⁾	903.0
As adjusted net external borrowings ⁽¹²⁾	505.5
As adjusted cash interest expense ⁽¹³⁾	41.7
Ratio of as adjusted net external borrowings to Adjusted EBITDA ⁽⁴⁾⁽¹²⁾	1.6x
Ratio of Adjusted EBITDA to as adjusted cash interest expense ⁽⁴⁾⁽¹³⁾	7.5x

(1) The revenue amounts are reflected net of intercompany revenue between SMR and SMP of €1.1 million, €0.3 million and €0.7 million for the years ended March 31, 2014, 2015 and 2016, respectively. The revenue amounts of SMR and SMP individually are reflected gross of intercompany revenue between SMR and SMP.

(2) EBITDA represents our profit for the year, excluding income taxes, finance costs (net), depreciation and amortization and share of after-tax (profit)/loss of joint ventures/associates. EBITDA is not specifically defined under, or presented in accordance with, IFRS or any other generally accepted accounting principles and you should not consider it as an alternative to net income (loss) or any other performance measures derived in accordance with IFRS. Our management believes that

EBITDA is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt and because EBITDA is used by our management to track our business development, establish operational and strategic targets and make important business decisions. EBITDA is also a measure commonly reported and widely used by analysts, investors and other interested parties in our industry. To facilitate the analysis of our operations, this indicator excludes net finance costs, income taxes, depreciation and amortization in order to eliminate the impact of general long-term capital investment. Since all companies do not calculate EBITDA in an identical manner, our presentation may not be consistent with similar measures used by other companies. Although we are presenting this measure to enhance the understanding of our historical operating performance, EBITDA should not be considered an alternative to operating profit as an indicator of our operating performance, an alternative to net cash generated from operating activities as a measure of our liquidity or an alternative to any measure of performance under IFRS or any other generally accepted accounting principles. See “*Presentation of Financial Information and Other Data—Non-IFRS Financial and Operating Information.*”

The following table reconciles our results to EBITDA for the periods indicated:

	Fiscal year ended March 31,		
	2014	2015	2016
	(€ thousands)		
Profit (loss) for the year^(a)	79,708	112,011	113,929
Income taxes	28,552	30,202	29,127
Finance costs (net)	13,965	39,716	38,371
Depreciation and amortization	86,361	86,997	121,939
Share of after-tax (profit)/loss of joint ventures/associates	(3,144)	(9,433)	(11,533)
EBITDA	205,442	259,493	291,833

(a) Profit for the year includes profit attributable to non-controlling interests. For the years ended March 31, 2014, 2015 and 2016, respectively, profit for the year attributable to non-controlling interests amounted to €17.4 million, €17.1 million, €16.6 million, respectively.

- (3) EBITDA margin represents EBITDA divided by revenue. Since not all companies calculate EBITDA margin in an identical manner, our presentation may not be consistent with similar measures used by other companies.
- (4) Adjusted EBITDA represents EBITDA as adjusted for certain events which the Management considers to be outside of its ordinary course of business as identified in the table below. In evaluating Adjusted EBITDA, we encourage you to evaluate each adjustment and the reasons we consider it appropriate as a method of supplemented analysis. You should be aware that, as an analytical tool, Adjusted EBITDA is subject to all of the limitations applicable to EBITDA. See “*Presentation of Financial Information and Other Data—Non-IFRS Financial and Operating Information.*” In addition, you should be aware that we may incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. EBITDA and Adjusted EBITDA have been included in this Offering Memorandum because they are measures that our management uses to assess our operating performance. Since all companies do not calculate Adjusted EBITDA in an identical manner, our presentation may not be consistent with similar measures used by other companies. For a description of the limitations of Adjusted EBITDA as a financial measure, see “*Presentation of Financial Information and Other Data—Non-IFRS Financial and Operating Information.*”

The following table reconciles EBITDA (after exceptional items) to Adjusted EBITDA for the periods indicated:

	Fiscal year ended March 31,		
	2014	2015	2016
	(€ thousands) (Unaudited)		
EBITDA	205,442	259,493	291,833
Excess of acquirer’s interest in the fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost ^(a)	—	13,329	—
Net gain on final settlement of insurance claim due to business interruption caused by fire at one of our plant	1,837	5,302	564
Start up cost incurred to set up new facilities for future growth	—	(4,314)	(22,324)
Adjusted EBITDA	203,605	245,176	313,593

(a) The Group acquired assets of SMIA and this resulted in other operating income amounting to €13.3 million representing the excess of the acquirer’s interest in the fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost.

- (5) Adjusted EBITDA margin represents Adjusted EBITDA divided by revenues. Since not all companies calculate Adjusted EBITDA margin in an identical manner, our presentation may not be consistent with similar measures used by other companies.
- (6) Net working capital represents trade receivables (current) and inventories and other receivables from related parties as reduced by trade payables.
- (7) Total external borrowings represents total current and non-current financial liabilities—third-party borrowings and finance lease liabilities. See “*Capitalization.*”

- (8) Net external borrowings represents total external borrowings less cash and cash equivalents.
- (9) We define capital expenditure as additions to property, plant and equipment and intangibles for the relevant year, excluding additions as a result of business combinations.
- (10) As adjusted cash and cash equivalents represents our cash and cash equivalents at March 31, 2016 adjusted for the effects of the offering of the Notes. For the adjustments to cash and cash equivalents see “*Use of Proceeds*” and “*Capitalization*.”
- (11) As adjusted total external borrowings represents total external borrowings as adjusted to give effect to the offering of the Notes. Our as adjusted total external borrowings at March 31, 2016 include the principal amount of the Notes offered, gross of debt issue costs. See “*Use of Proceeds*” and “*Capitalization*.”
- (12) As adjusted net external borrowings represents *as adjusted* total external borrowings less *as adjusted* cash and cash equivalents. See “*Use of Proceeds*” and “*Capitalization*.”
- (13) As adjusted cash interest expense represents cash interest expense as adjusted to give effect to the Offering as if the Offering had occurred on April 1, 2015 and has been calculated using an interest rate on the Notes offered hereby. In addition, *as adjusted* interest expense includes costs of finance losses but does not include the amortization of the transaction costs in connection with the Offering or any costs for our debt factoring or use of local credit facilities going forward. Our actual cash interest expense for the fiscal year ended March 31, 2016 was €29.1 million. As adjusted cash interest expense has been presented for illustrative purposes only and does not purport to represent what our actual cash interest expense would have been if the Offering had occurred on April 1, 2015 nor does it purport to project our cash interest expense at any future date.

RISK FACTORS

In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, prospects, financial condition and results of operations. If any of the possible events described below were to occur, our business, prospects, financial condition and results of operations could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.

Risks Relating to Our Business

We are affected by economic trends and adverse developments in the global economy and in countries where we operate.

Our business is affected by general economic conditions, in particular levels of industrial and manufacturing output in the industries and markets that we serve, and is susceptible to downturns in economies around the world, including major economic centers such as the European Union and the United States, as well as emerging markets such as China, Mexico and Brazil. General economic conditions and macroeconomic trends can affect overall demand for our products and the markets in which we operate. Beginning in mid-to-late 2008, a worldwide financial and economic downturn occurred that affected nearly all regions of the world and all business sectors and especially the automotive industry. Ongoing struggles in Europe related to sovereign debt issues, among other things, have contributed to a challenging economic environment. Most of our revenue is derived from OEMs who could be significantly impacted by adverse economic developments globally and particularly in Europe. During periods of slow economic activity, consumers may forego or delay vehicle purchases, or purchase lower-priced models with fewer premium features, resulting in reduced demand by our OEM customers for our products. If the economic environment in any of the markets from which we derive substantial revenue declines, unfavorable economic conditions may impact a significant number of our customers and, consequently, the demand for our product lines, and our business, financial condition and results of operations could be materially adversely affected.

The present, as well as future, economic downturns (including but not limited to global or regional recessions as a result of conflicts, credit crises, natural disasters or general or industry-specific declines in output or growth) could have the effect of significantly reducing demand for our products and could negatively affect the creditworthiness of our customers, our suppliers and the financial institutions with which we have accounts or other business relationships. Any of these developments, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Cyclical and reduced demand in the automotive industry in which we operate could affect our business.

Substantially all of our business is directly related to vehicle sales and production by our customers, who consist primarily of large automotive OEMs, and demand for our products is largely dependent on the industrial output of the automotive industry. Our operations and performance are directly related to levels of global vehicle production, particularly the light vehicle market, and are therefore affected by factors that generally affect the automotive industry. The automotive industry is sensitive to factors such as consumer demand, consumer confidence, disposable income levels, employment levels, fuel prices and general economic conditions. Any significant reduction in vehicle sales and production by our customers may have a material adverse effect on our business, financial condition and results of operations. For example, a substantial deterioration in vehicle production such as that experienced in 2008 and 2009 could have a significant negative effect on our sales and results of operations. Furthermore, in some geographies automotive production and demand are subject to seasonal cyclicalities, which may influence the demand for our products. For example, European OEMs generally scale back or halt vehicle production during August, and Christmas holidays in Europe and the Americas can impact demand during December.

More generally, the automotive industry is affected by other factors such as national and international trade, environmental and health and safety regulations and oil prices. In the event of a decrease in demand for light vehicles, or any developments that make the sale of components for the light vehicle market less economically beneficial, we may experience a material adverse effect on our business, financial condition and results of operations.

We depend upon sales of our products to a small number of customers, and the loss of or reduction in sales to any of our major customers would have a material adverse effect on us.

Historically, the automotive industry has had a limited number of major global OEMs and this has led to a substantial percentage of our sales being made to a small number of customers. The loss of a major customer, if not replaced, would adversely affect us, as would factors such as automobile recalls that could have the effect of slowing our customers' sales. Reduction in any of our customers' sales may lead to decreased production by such customers, resulting in lower demand for our products. For the fiscal year ended March 31, 2016, our largest customer, Volkswagen group (which includes Volkswagen, Audi, Porsche and SEAT), represented 52.4% of our revenue, while the top five brands we supplied—Audi, Volkswagen, BMW, SEAT and Hyundai/Kia—in the aggregate represented 63.9% of our revenue. In September 2015, the U.S. Environmental Protection Agency (the "EPA") alleged that Volkswagen group intentionally programmed its diesel engines to restrict emissions during regulatory emissions testing to pass the U.S. regulatory requirements. Volkswagen group became subject to criminal investigations and civil actions in a number of countries, leading to product recalls and substantial fines. However, any decrease in our order from Volkswagen group or in its market share could materially and adversely affect our business. As of March 31, 2016, Volkswagen group accounted 52.4% of our consolidated revenue, which was a decrease of 5.1% from 57.5% as of March 31, 2015.

Any loss of the Volkswagen group, any member of Volkswagen group or any other OEM as a customer would have a material adverse effect on our business, financial condition and results of operations if we were unable to replace it with growth from an alternative customer. We expect to continue to depend on sales to our largest customers and any material delay, cancellation or reduction of orders from these customers or other significant customers could have a material adverse effect on our business, prospects, results of operations, cash flows and financial condition.

Our business may be adversely impacted by Volkswagen emissions scandal

On September 18, 2015 and November 2, 2015, the U.S. EPA announced investigations into alleged violations of the U.S. Clean Air Act of 1963, as amended, by Volkswagen AG, Audi AG, Volkswagen Group of America, Inc., Porsche AG and Porsche Cars North America (collectively, "**Volkswagen**") through the use of software in Volkswagen's diesel engine cars to produce compliant emissions results only when the software detected that the vehicle was being subjected to an EPA emissions compliance test. It is alleged that the software functions as an illegal "defeat device" and allows vehicles to meet the emissions standards for nitrogen oxide ("**NOx**") in a laboratory or testing situation but during normal operations, results in increased NOx emissions up to 40 times above the standards. As a result of the alleged violations, the EPA has announced stricter diesel emissions testing, which will include testing diesel cars in on-road situations and additional tests to find defeat devices. On April 21, 2016, Volkswagen reached an agreement in principle with EPA to fix or buy back the approximately 482,000 vehicles affected by the scandal, which represented a significant step toward resolving its involvement in the scandal. Volkswagen has until June 21 to lay out the specifics of the proposed deal for scrutiny by the court, which is overseeing the consolidation of the civil lawsuits against the company. A hearing on the settlement, which will need the court's approval, is scheduled for July 26, 2016.

In consequence to the investigations in the US, vehicle emissions standards and test procedures have also been under scrutiny in Europe. A number of manufacturers have received requests for information from regulators in various countries about their emissions and emissions testing and some inquiries may not yet be concluded. Various independent investigations of diesel cars in Europe indicate that a significant number which pass the European Union's official regulatory tests nevertheless emit NOx at higher levels in on-road driving situations, at least at certain ambient temperatures. For example, the UK government's Department of Transport released a report on its

Vehicle Emissions Testing Programme in April 2016 that found higher levels of NOx emissions in test track and real world driving conditions than in the laboratory for all tested manufacturer's vehicles, with results varying significantly between different makes and models. Furthermore, other manufacturers such as Mitsubishi Motors have admitted to the use of improper emissions testing methods to present better fuel consumption rates to regulators.

Volkswagen group (which includes Volkswagen, Audi, Porsche and SEAT) is our largest customer, representing 52.4% of our revenue in fiscal year ended March 31, 2016. It is possible that the diesel scandal has an adverse effect on future sales of Volkswagen group's brands in the US and other markets due to the negative perception it may have caused among consumers. This could in turn affect our sales to Volkswagen group if the production volume for our contracted model programs decreases in consequence.

In addition, consumers may develop negative perceptions of diesel-engine cars for a variety of reasons, including their potential environmental impact, uncertainty related to their resale value and unresolved questions related to performance. We produce technologies such as rear view mirrors, bumpers and interior modules, demand for which is not dependent on the propulsion system of the vehicle. We do not therefore expect to be significantly impacted by possible decline in demand for diesel-engine vehicles that may result from the emissions scandal.

To date, we have not observed material adverse impact from the diesel scandal on our financial performance given our operations and product output is unrelated to emission related machinery. In the last two fiscal quarters since the diesel scandal first became public in September 2015 our revenues, from Volkswagen group increased by 4.9% year-on-year. At this point in time, we are unable to predict what impact, if any, these events may have on us.

Legal or regulatory claims or investigations against us could have a material adverse effect on our financial position.

From time to time, we may become involved in legal or regulatory proceedings, claims or investigations, including by governmental bodies, anti-trust regulatory authorities, customers, suppliers, former employees, class action plaintiffs and others. On an on-going basis, we attempt to assess the likelihood of any adverse judgments or outcomes to these proceedings or claims, although it is difficult to predict final outcomes with any degree of certainty.

On May 3, 2016, SMR Automotive Systems USA, Inc. ("SMRAS"), one of the Issuer's U.S.-based Subsidiary Guarantors, received a grand jury subpoena from the United States Department of Justice, Antitrust Division (the "DOJ"), seeking certain documents from SMRAS and its affiliates, relating to possible violations of federal anti-trust regulations in the sale of automotive mirrors. The information requested by the grand jury is from January 1, 2008 which predates our acquisition of SMRAS on March 6, 2009.

SMRAS is required to respond to the subpoena by June 22, 2016 and such investigation may continue for an extended period of time. SMRAS is currently responding to the subpoena in full cooperation with the Department of Justice.

We do not believe that any of the proceedings or claims to which we are party will result in costs, charges or liabilities that will have a material adverse effect on our financial position. However, we cannot assure you that the costs, charges and liabilities associated with these matters will not be material, or that those costs, charges and liabilities will not exceed any amounts reserved for them in our Financial Statements. In future periods, we could be subject to cash costs or non-cash charges to earnings if any of these matters are resolved unfavorably to us.

We may incur significant costs in connection with ongoing efforts by our customers to restructure their operations.

The automotive industry continues to experience depressed production volumes and sales levels in certain geographic markets. In response to these conditions, some OEMs continue to explore further restructuring of their operations, which may include plant closures. As a result of such actions, certain of our customers may cut vehicle production or postpone vehicle programs, or take the less likely step of canceling or scaling back future product plans. Further, as OEMs follow a trend of localization of production in certain lower-cost countries, they have and/or may in the future close plants in certain locations while opening plants in new locations, requiring suppliers to follow this geographic

migration. In the event that restructuring efforts by certain of our customers affect vehicle programs for which we supply or are scheduled to supply components, we may need to restructure or downsize our operations in order to align them with the evolving needs of our customers. In such an event, we may incur restructuring, downsizing and/or other significant non-recurring costs in our operations, which could have a material adverse effect on our business, financial condition and results of operations.

Escalating price pressure from customers could materially adversely affect our business.

Our OEM customers are active in competitive industries and face constant pressure to cut their selling and production costs. Accordingly, component pricing is one of the key metrics by which OEMs choose suppliers for their vehicle programs. As a result, we have in the past and could continue to experience pressure to reduce our prices and there can be no assurances that our customers will not seek lower-priced options from our competitors. Many automotive OEMs, for example, have annual price reduction policies and objectives with their suppliers. Price reductions are typically agreed on an annual basis as part of our long-term customer contracts and can vary by market or region, taking into account the OEM's specific economic objectives. The average effective reduction in product price agreed in this manner typically ranges from two to three percent on a per-unit basis. We expect such pricing pressure to continue in the future. Accordingly, we endeavor to continue to innovate and introduce new products and applications as well as to continue to carefully manage and reduce our operating costs in order to maintain our margins and competitive position. For example, our purchasing teams work in close co-ordination with suppliers to extract discounts to reduce our purchasing cost. In addition, our engineering and manufacturing teams work on various product cost-optimization projects to reduce manufacturing costs, improve supply chain logistics and the packaging of our products in order to reduce the cost per unit. While these actions help to enable us to respond to price reduction requests and requirements from our customers without affecting our margins, there can be no assurances that we will continue to achieve sufficient cost savings in the future, which could affect our ability to offer reduced prices to our customers. If we are unable to reduce prices, we may not be able to retain existing customers or win new customers and any loss of customers or any reduction of our prices that cannot fully be offset by input cost reductions could have a material adverse effect on our business, financial condition and results of operations.

Our contracts with customers are based upon commercial agreements that are typically finalized at the start of production of a particular vehicle program. Our framework agreements and purchase order contract regime could expose us to certain cost pressures that may not be entirely recoverable from the customer and therefore have a material adverse effect on our business, financial condition and results of operations. These contracts generally run for the duration of a customer's product platform or model line (on average five years), or until a mid-cycle refresh change occurs (on average every three years). Purchase orders for the specific parts within the contract are renewed on an annual basis according to the economic agreements with each customer. These agreements may also include price reductions over the life of the contract. While our customer contracts generally include a mechanism whereby we can pass through increases in the costs of raw materials, there can be no assurances that this cost pass-through will be sufficient to maintain our margins under such contracts should our production costs increase. In addition, we may not be able to recover the ramp-up costs associated with the set-up and initial production if the ultimate production does not reach anticipated volumes. Any of these factors, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Competition in our markets could reduce our profitability or reduce our market share.

We face global competition in our business. Competition is based on many factors, including product quality and reliability, breadth of product range, product design and innovation, manufacturing capabilities, distribution channels, scope and quality and reliability of service, price, customer loyalty and brand recognition. Our primary competitors include a broad range of international, regional and local companies with diverse characteristics. Some of our competitors are focused on sub-markets within targeted industries, while others have greater financial, technical and/or marketing resources than we have, which could enhance their ability to finance acquisitions, fund international growth and/or respond more quickly to technological changes. Some of our competitors may be able to produce similar or equivalent products at lower costs than we can produce them. We also encounter competition from similar and alternative products, many of which are produced and marketed by major

multinational or national companies, which could have a material adverse effect on our business, financial condition and results of operations. Additionally, as we further expand our presence in emerging markets we face competitive price pressures from low-cost producers in jurisdictions such as China, and we expect such price pressures to increase as our customers continue to expand their manufacturing footprints in these markets, thereby providing opportunities for local manufacturers to compete.

In addition, producers that do not currently compete with us could expand their product portfolios to include products that would compete directly with ours. Changes in the product focus of larger producers could also result in such producers establishing relationships with our customers that reduce or replace entirely our business with those customers. Larger producers could also encourage price competition or acquire small producers in an effort to displace smaller producers. In addition, certain large customers to whom we currently sell certain products could decide to compete with us as producers of these products. Any of these developments, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Our inability to identify and adapt to evolving industry trends and preferences and develop new products to meet our customers' demands may adversely affect our business.

Changes in competitive technologies may render certain of our products obsolete or less attractive, and to compete effectively we must be able to develop and produce new products or enhanced versions of existing products to meet our customers' demands in a timely manner. Our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced products on a timely basis is a significant factor in our ability to remain competitive. For example, one of our strategies for growth is to increase the per-vehicle content that we provide for each program, with a focus on integrating new, high-value technologies and introducing the value-adding features previously limited to premium car segments into low and medium car segments over time. In some cases, the technologies that we plan to employ are not yet widely adopted or are not yet commercially practical, and their success depends upon significant future capital expenditures and technological advances by us and by our suppliers. However, there can be no assurance that we will be able to secure the necessary technological knowledge or capabilities which will allow us to develop our product portfolio in this manner. If we are unable to obtain access to technology in a timely manner, or at all, we may be unable to effectively implement our strategies, and our business and results of operations may be adversely affected. Additionally, we may not be able to secure adequate financing for the capital expenditures required for the research and development of new technologies and products. If we are unable to secure adequate financing, or financing on commercially acceptable terms, or at all, we may be forced to curtail our product development programs, and our business, financial conditions and results of operations may be materially adversely affected. We are also subject to the risks generally associated with new product introductions and applications, including lack of market acceptance, delays in product development and failure of products to operate properly.

We could also face severe competition for potential future revenue streams if our competitors are able to patent certain innovations before we can do so. We may have to procure a license for the technology, which may not be available on reasonable terms, if at all, and may significantly increase our operating expenses or may require us to restrict our business activities in one or more respects. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If we fail to develop sufficient revenue streams covered by adequately robust intellectual property rights, we could lose market share and revenues to competitors. Any of these developments, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we may not be able to install and commission the equipment needed to manufacture products for our customers' new product programs in time for the start of their production, and the transitioning of our manufacturing facilities and resources to full production under new product programs could adversely impact production rates or other operational efficiency measures at our facilities. In addition, our customers may not execute on schedule the launch of their new product programs for which we supply products. Our failure to successfully develop and manufacture new products, or a failure by our customers to successfully launch their new programs on schedule, could adversely affect our business, financial condition and results of operations.

We depend on our suppliers, some of whom are our competitors, for the supply of raw materials and components that are critical to our manufacturing processes.

While we source our raw materials from a diversified group of global, national and local suppliers, we are still subject to supplier concentration with respect to certain of our key inputs. As a percentage of revenues, total cost of materials represented 64.1% for the fiscal year ended March 31, 2016. SMR's largest supplier accounted for approximately 7% of its total cost of materials by value, and its top ten suppliers accounted for approximately 35% of its total cost of materials by value. SMP's largest supplier accounted for approximately 6% of its total cost of materials by value, and its top ten suppliers accounted for approximately 33% of its total cost of materials by value. We believe that we have an adequately diversified supplier base, but we cannot guarantee that we will be able to procure sufficient substitute supply in the event of a loss of one or more of our major suppliers.

Certain of our products use components that are only available from a limited number of suppliers, some of which are our competitors. In other circumstances, we source important components from a single source. For example, SMR currently sources most of its requirements for EC glass from a single company which is also a competitor, Gentex Corporation. Any disruption in the manufacturing process or supply from key suppliers such as Gentex Corporation could adversely affect our ability to deliver our products. Furthermore, some of our suppliers are directed by our customers, and it is likely that we will continue to source components from such suppliers. Although our OEM customers could exert influence over our suppliers to ensure that supplies of critical parts are not disrupted, and we do not expect our suppliers to voluntarily discontinue their supply to us, we cannot provide any assurance that these OEMs will, in fact, exert such influence and that we will maintain an orderly supply of key inputs. In some cases, we purchase parts for specific feature content sub-assemblies or modules from OEM-directed sources.

Our suppliers may also experience financial difficulty in light of conditions in the credit markets and the overall economy. Ongoing economic uncertainty has adversely affected our suppliers' access to capital and liquidity, and these pressures continue to affect the industry. Our suppliers could become insolvent or be otherwise unable to provide their services to us on a timely basis, or at all. In such a scenario, we would have to find alternative suppliers or source alternative materials or components, and there is no assurance that we would be able to do so in a cost-effective manner, or at all. Even if we are successful in engaging alternative suppliers for our materials or components, it is possible that these suppliers will lack adequate quality controls and that the products sourced from these suppliers will be of a lesser quality. If the components or materials sourced from alternative suppliers fail to meet the quality requirements of our OEM customers, our brand, reputation and customer relationships may be detrimentally impacted, and our business, financial condition and results of operations may be materially adversely affected.

Our production could also be adversely affected by any quality or reliability issues with any of our component suppliers. If we receive low-quality or defective components or raw materials, this may delay our production or lower the quality of our finished products. Any such delays or quality defects may affect our relationship with our customers and result in a material adverse effect on our business, prospects, results of operations, cash flows and financial condition.

A loss of suppliers or interruptions in the delivery of raw materials could adversely affect our results of operations and cash flows.

The length of time for which we enter into supply contracts usually depends upon the time period of the expected demand for the vehicle model for which we are purchasing supplies. We cannot assure you that we would be able to accurately estimate the time period for which our supply contracts for particular supplies will need to be in existence. Further, there can be no assurance that strong demand, capacity limitations or other problems experienced by our suppliers will not result in shortages or delays in their supplies to us or their unwillingness to enter into contracts for the requested term. If we were to experience a significant or prolonged shortage of supplies from any of our suppliers, and were unable to procure the supplies from other sources, we would be unable to meet our production schedules for some of our key products and to supply such products to our customers in a timely fashion, which would adversely affect our business, financial condition and results of operations.

Volatility in the prices of raw materials or pre-constructed components on which we rely could adversely affect our results of operations and cash flows.

Prices of certain raw materials and pre-constructed components we rely on, such as resins (acrylonitrile butadiene styrene (“ABS”) and polypropylene) and metal parts (mainly aluminum and zinc), are linked to commodity markets and thus subject to fluctuation. While the price for aluminum and zinc have remained relatively stable over the past three fiscal years, the prices of ABS and polypropylene have declined in the past two years on account of falling raw material prices. There can be no assurance that the markets for these products will not develop volatility in the future. In addition, supply shortages or delays in deliveries of raw materials or component parts can also result in increased costs. Certain of our customer contracts, which typically factor in supply cost at the time at which the contract is entered into, and subsequently when it is extended or renewed, allow for the pass-through of materials cost increases. For instance, certain of our supplier sources are directed by our OEM customers. In cases where a supplier is directed by the OEM, our contracts typically include provisions allowing for the pass-through of raw materials price increases to the customer. In cases where we have independently chosen our suppliers, our ability to adjust pricing terms with customers varies based on our specific customer relationships, market practice with respect to the particular raw material or component and other factors, and as a result, we may in some instances bear the risk of price increases that occur during the balance of the term of the particular customer contract.

We generally do not enter into forward contracts as a means of hedging our exposure to fluctuations in the price of our production inputs and operating expenses. Although we seek to enter into negotiations with our customers to increase the sale prices of our products to account for increases in such costs, there can be no assurance that we will be successful in such negotiations or that any agreed price increase will fully cover the increase in such costs. Our inability to adequately adjust our customer pricing in response to increases in prices of raw materials or pre-constructed components in a timely manner, or at all, could have a material adverse effect on our business, prospects, results of operations, cash flows and financial condition.

Increases in the price or inadequate supply of energy may adversely affect our results of operations and cash flows.

Energy accounts for a significant portion of the cost for a number of activities connected with our business, such as the transportation of raw materials and finished products and operation of our production facilities. For the fiscal year ended March 31, 2016, energy and freight and forwarding costs amounted to 2.2% of SMR’s revenues, and 2.8% of SMP’s revenues. Energy prices, particularly for petroleum-based sources, are volatile and an increase in energy prices could lead to an increase in transportation costs for us and our suppliers and customers as well as increasing the cost of operating our production facilities. Any such increase in costs could decrease our margins if we are unable to increase our product prices enough to offset these increased costs. Such energy cost increases and margin erosion could have an adverse effect on our results of operations and cash flows. Additionally, we source almost all the electricity requirements for our manufacturing facilities from local utilities. If supply is not available for any reason, we will need to rely on alternative sources, which may not be able to consistently meet our requirements. The cost of electricity purchased from alternative sources could be significantly higher, thereby adversely affecting our cost of production and profitability. Further, if for any reason sufficient electricity is not available, we may need to shut down our plants until an adequate supply of electricity is restored.

Our business could be adversely affected by any delays or increased costs resulting from issues that our common carriers may face in transporting our raw materials, components or finished products.

We rely on a variety of common carriers to transport our raw materials and components from our suppliers to us, and to transport our products from us to our customers. Problems suffered by any of these common carriers, whether due to a natural disaster, labor problems, increased energy prices, inadequacies in transport infrastructure, or any other issue, could result in shipping delays, supply chain disruptions and increased costs, and could therefore have a material adverse effect on our operations. For example, many of our customer contracts provide that we must expedite shipping at our own expense if we fail to meet our contractual obligations on time.

Moreover, many of the products we produce are bulky and difficult to efficiently pack and transport over long distances and our customers often demand just-in-time and just-in-sequence component deliveries. As a result, we rely on the close proximity of our facilities to OEM plants to

minimize the freight costs associated with transporting our products. To the extent we are forced to transport our products over long distances to customer sites, we separately negotiate freight prices with our customers based on our transportation and logistics costs. Any failure to pass through these increased transportation costs to our customers, or any increase in delivery lead times resulting from long-distance transport of our products, could adversely affect our business, financial condition and results of operations.

Damage to our image and reputation or any of our customers' images and reputations could have a material adverse effect on our results of operations.

Our business depends to a significant extent on our customers' trust in our reputation as a reliable supplier, in our ability to support our customers geographically and in our ability to meet our customers' key performance targets. The maintenance, protection and ongoing customer perception of our reputation as a reliable supplier, as well as our ability to enter new geographic markets and sell new products, are therefore critical for our future success. In addition, our products are subject to express and implied warranty claims. We cannot assure you that we will be successful in maintaining or reducing the historical level of warranty claims or that claims in relation to our products will not increase significantly. Actual or alleged instances of inferior product quality, or of damage caused or allegedly caused by our products, could damage our reputation and brand and could lead to new or existing customers becoming less willing to conduct business with us. In addition, events or allegations of malfunctioning products could lead to legal claims against us, and we could incur substantial legal fees and other costs in defending such legal claims. The materialization of any of these risks, alone or in combination, could damage our reputation and could have a material adverse effect on our business, financial condition and results of operations.

In addition, our success depends partially on the ability of our customers to maintain their images and reputations. Adverse publicity or allegations of quality or safety issues affecting our customers could cause consumers to stop purchasing products from our customers, which in turn could cause our customers to reduce their purchases from us, thus negatively impacting our results of operations. In addition, because our products bear the names of our customers, vehicle quality deficiencies or safety concerns may adversely affect our reputation by association, for example as a result of product recalls, which could negatively impact our business, financial condition and results of operations.

We are required to obtain and maintain quality and product certifications for certain markets and customers.

In some countries, certain certifications for products with regard to specifications and quality standards are necessary or preferred in order for these products to be accepted by customers and markets. As such, we need to be able to obtain and maintain the relevant certifications so that our customers are able to sell their products, which include components that are manufactured by us, in these countries. For example, some countries or markets, such as the U.S., mandate the field of view that must be reflected from a rear view vision system and may require the inclusion of certain warning labels indicating that the field of view has been altered. In addition, some customers also require us to maintain certain standards and conduct inspections at regular intervals to ensure we maintain these standards. We are materially compliant with each of these certifications in the relevant jurisdictions and have not had any such certification revoked in the past. However, any failure to meet or maintain the requirements needed to secure or renew such certifications could result in a material adverse effect on our business, prospects and results of operations.

The discontinuation of, the loss of business with respect to, or lack of commercial success of, a particular vehicle model for which we are a significant supplier could affect our business and results of operations.

Our supply contracts typically provide for the supply of our products for a specified time period, typically ranging from five to seven years for a particular vehicle model and assembly plant. Contracts that are subject to a mid-cycle refresh action, as is common in the case of certain products including bumpers, may range from three to four years. Additionally, our purchase orders and purchase agreements with OEMs do not provide for any compensation if there is any shortfall in demand for the relevant vehicle model being manufactured leading to a consequent reduction in the demand for our products. We may be unable to mitigate the impact of any of the foregoing as it could be difficult to allocate the resulting available capacity in an efficient manner as a result of the manufacturing facility and tooling customization that can be required for a particular product. As a result, the discontinuation of, loss of business with respect to, lack of commercial success of or fluctuations in demand for a

particular vehicle model for which we are a significant supplier could reduce our sales and affect our estimates of anticipated sales, which could have an adverse effect on our business, prospects, results of operations, cash flows and financial condition.

Our customers do not commit to firm scheduled product supply requirements more than one month in advance, and in some cases commit to firm call-off requirements with as little as a few days' notice, or even a few hours in the case of sequenced just-in-time delivery, which subjects us to substantial risks. Customers may change actual production quantities or postpone production for a number of reasons, including developmental delays or changes in consumer demand. The volume and timing of sales to our customers may vary due to variation in demand for our customers' products, our customers' attempts to manage their inventory, design changes and changes in our customers' manufacturing strategy. Accordingly, we continue to experience reduced lead-times in customer orders. Our inability to forecast the level of customer orders with certainty influences the way we set up our business, schedule production and maximize utilization of manufacturing capacity. We may be required to incur additional personnel expenses and other expenses in order to meet the anticipated demand of our customers. Where such anticipated orders fail to materialize or delivery schedules are deferred as a result of changes in our customers' business needs, our results of operations may be adversely affected.

On other occasions, our customers have required a rapid increase in production, which has placed an excessive burden on our resources and caused a material increase in costs, which include the costs of expedited shipping if we would otherwise fail to meet our customers' schedules. We have experienced customer order fluctuations and deferrals in the past, and we may experience such fluctuations or deferrals in the future.

We typically commit to order raw materials and pre-constructed components from our own suppliers based on customer forecasts and orders. Cancellation by customers or any delay or reduction in their orders can result in a mismatch between the inventory of pre-constructed components and raw materials and the manufactured product that we hold, and could result in excess inventory and reduced working capital, pending sales of such products. This could have an adverse effect on the orderly management of our inventory, and could adversely affect our operating cash flow.

Our Order Book may not be indicative of our future revenue.

We disclose and discuss in this Offering Memorandum our estimated Order Book as of March 31, 2016. Our Order Book represents the sales that we expect to record in the event we receive firm production orders under contracts for vehicle programs that we have been awarded by OEMs but which are not yet in production. Order Book is not an accounting measure within the scope of IFRS, is not required to be included in this Offering Memorandum pursuant to IFRS, U.S. Generally Accepted Accounting Standards, or accounting standards of any other jurisdiction, and has not been audited or reviewed. Our Order Book as presented herein is an estimate only. For a description of our methodology of determining our Order Book, as well as underlying assumptions used, please refer to "*Presentation of Financial and Other Information—Order Book.*" As our customers generally do not guarantee purchase volumes and have the right to terminate orders without penalties, our actual sales volumes, and thus the ultimate amount of revenue that we derive from such sales, are not committed. If actual production orders from our customers are not consistent with the projections we use in calculating the amount of our Order Book, we could realize substantially less revenue over the life of the vehicle programs than our Order Book estimate. As a result of the above limitations, the amount of our estimated Order Book provided herein, does not purport to represent what our actual realized revenues will be over any future period and should not be considered in isolation, such information is based on available information and certain assumptions and estimates that we believe are reasonable but may differ materially from the actual amounts. You should not place undue reliance on our Order Book and our Order Book does not purport to represent our financial position as of March 31, 2016, nor does it purport to project our revenue or financial position for any future period or at any future date.

Our inability to realize revenues represented by our awarded business or termination or non-renewal of production purchase orders by our customers could materially and adversely impact our business, financial condition, results of operations and cash flows.

The realization of future revenues from awarded business is inherently subject to a number of important risks and uncertainties, including the number of vehicles that our customers will actually produce and the timing of that production.

Our agreements with our customers do not include a commitment regarding minimum purchase volumes. In addition, such contracts typically provide that customers have the contractual right to unilaterally terminate our contracts with them with no notice or limited notice. If such contracts are terminated by our customers, our ability to obtain compensation from our customers for such termination is generally limited to the direct out-of-pocket costs that we incurred for materials and work-in-progress and in certain instances un-depreciated capital expenditures and tooling. Further, while we have long-term relationships with many of our OEM customers, there is no guarantee that these customers will renew their purchase orders with us or award us repeat business in the future. We cannot assure you that our results of operations will not be materially adversely impacted in the future if we are unable to realize revenues from our awarded business, if our customers cancel awarded business or fail to renew their contracts with us, or if we fail to win repeat business from our customers.

We have experienced significant growth in recent years and could make investments and acquisitions in the future that involve considerable integration costs, and we may be unable to sustain, manage or realize the expected benefits of such growth.

We have experienced a significant increase in the size and scope of our operations and production facilities, including with respect to the operations of both SMR and SMP and our acquisition of SMIA on January 30, 2015. Our growth strategy involves significant expansion and diversification of our business, and places considerable demands on our management as well as our financial, accounting and operating systems. Furthermore, our growth strategy will require significant capital expenditures, which we intend to fund through a combination of cash flow from operations and financing sources. While we believe that our current and projected liquidity will be sufficient to meet our working capital needs and support our growth strategy, it is possible that we may not generate sufficient cash flow from operations or investments and that future borrowings may not be available to us on favorable terms or in an amount sufficient to enable us to realize our growth strategy.

Furthermore, our future growth is dependent on our success in making the right investments at the right time to support product development and manufacturing capacity in areas where we can support our customer base. We anticipate substantial growth from China, the Americas and selected regions in Europe, and accordingly have made and expect to continue to make substantial investments, both directly and through participation in various partnerships and joint ventures, in numerous manufacturing operations, technical centers and other infrastructure to support anticipated growth in those regions. If we are unable to deepen existing and develop additional customer relationships in this region, we may not only fail to realize expected rates of return on our existing investments, but we may incur losses on such investments and be unable to timely redeploy the invested capital to take advantage of other markets, potentially resulting in lost market share to our competitors. The success of our strategy also depends in large part on the continued growth and stable economic conditions in these target markets. Recent periods of weaker than expected growth and industrial output in China and Brazil highlight the risk of future economic downturn in these countries and in the broader global economy. Any of these challenges, and the failure or delay by our management in responding to them, could have a material adverse effect on our business, financial condition and results of operations.

Our growth strategy is based on medium and longer term forecasts. Although medium and longer term forecasts are made using available industry data such as economic output statistics, OEM production volumes and close customer dialogue, they do not guarantee that demand for our products will develop in line with such forecasts. In addition, regardless of the accuracy of such indicators, factors outside our control may require revision of our forecasts. If we over-estimate the volume of products we expect to sell, we will have excess production capacity which would likely reduce the efficiency of production and the margins on the products sold. If we under-estimate the volume of products we need to produce at any of our sites or fail to order a sufficient volume of supplies and input materials from our third-party suppliers, we may be unable to meet customer orders. Failure to meet customer orders may occur because existing facilities and planned additions of space, machinery, molds or other equipment do not have sufficient capacity, or we are unable to source suitable additional capacity, or we have the wrong level of inventory holding or because the costs of transporting goods from one site to another would be uneconomical.

In addition, any investment in additional capacity or in a joint venture, or the acquisition of new licenses, technologies or companies by us in the future, could result in the incurrence of debt and contingent liabilities (as well as unanticipated costs and expenses associated with any undisclosed and/

or potential liabilities) and an increase in interest expense, or in our use of available cash on hand to finance any such investment. This could have an adverse impact on our cash flows in the longer term and our ability to finance our overall operations.

As part of the continuous evaluation of the performance of all of our businesses, we may also sell businesses or product lines. Divestitures involve risks, including difficulties in the separation of operations, services, products and personnel, the diversion of management's attention from other business concerns, the disruption of our business, the potential loss of key employees and the retention of uncertain environmental or other contingent liabilities related to the divested business. We cannot assure you that we will be successful in managing these or any other significant risks that we encounter in divesting a business or product line.

Any of these events, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

As part of our growth strategy we have engaged, and may in the future engage, in acquisitions of other businesses and investments in technologies which could divert our attention and prove difficult to integrate with our existing business and technology.

We may make investments or acquisitions in the future that we believe present opportunities for growth and strengthening of our business, including by adding technological capabilities, improving our operational efficiencies or enhancing our geographical presence or customer relationships. Such investments and acquisitions involve a number of risks, including unexpected losses of key employees of the acquired operations; extraordinary or unexpected legal, regulatory, contractual and other costs; difficulties in integrating the financial, technological and management standards, processes, procedures and controls of the acquired business with those of our existing operations; challenges in managing the increased scope, geographic diversity and complexity of our operations; mitigating contingent and/or assumed liabilities; the possible loss of customers and/or suppliers; and control issues in relation to acquisitions through joint ventures and other arrangements where we do not exercise sole control. Expansion may further require additional facilities and talent, which may be unavailable or unavailable on favorable terms. We may not realize the anticipated cost savings, synergies, future earnings or other benefits that we intend to achieve from investments or acquisitions. We may experience integration difficulties and incur higher than expected costs. Furthermore, significant investment may divert management resources away from other areas of the business. These events, combined with the possibility of unanticipated events or liabilities, could have a material adverse effect on our business, financial condition and results of operations.

Further expansion and acquisitions may require us to incur or assume new debt, or expose us to future funding obligations or integration risks, and we cannot assure you that such expansion or acquisitions will contribute to our profitability. In addition, we may be unable to consummate our expansion or acquisitions, mergers or alliances in the future on terms acceptable to us, or at all. Any failure to consummate or integrate acquisitions to support our growth strategy may result in a material adverse effect on our business, financial condition and results of operations.

Start-up costs and inefficiencies related to new products or programs can adversely affect our operating results and such costs may not be fully recoverable if new programs are cancelled.

New programs that customers award us often entail material start-up costs with respect to the design, development and testing of the products to match the customer's specifications, as well as establishing additional production lines or new facilities where required. If we are unable to recoup start-up costs, manage our labor and equipment resources effectively in connection with the establishment of new programs and new customer relationships, or to correctly estimate required resources, our gross margins and operating results could be adversely affected. These factors are particularly evident in the early stages of the life cycle of new products and new programs and in the opening of new facilities. These factors also affect our ability to efficiently use labor and equipment. In addition, if any of these new programs or new customer relationships were terminated or our existing customers shift their base of operations to a location where we do not have a manufacturing facility, our operating results could be adversely affected, particularly in the short term. We may not be able to adequately recover these start-up costs or replace anticipated revenues from any such new products or programs.

A decline in the financial condition of OEMs or other customers or suppliers could have a material adverse effect on our business, financial condition and results of operations.

The financial condition of our OEM customers is affected by the sales of their vehicles to their respective customers, which may be impacted by several factors, including general economic conditions. In particular, purchases of our customers' products may be limited by their customers' inability to obtain adequate financing for such purchases. Any material weakening of the sales of our largest customers could directly impact our business, financial condition and results of operations due to the potential postponement or cancellation of their planned purchases or the potential delay of their designs of new platforms.

In addition, significantly lower global production levels, tightened liquidity and increased cost of capital have historically combined to cause financial distress among many OEMs and other customers and suppliers in the automotive industry and could have similar impact in the future. For instance, during the economic downturn, OEMs and other customers and suppliers in the automotive industry suffered from declines in sales and production, which, together with structural issues specific to a number of these companies (such as significant overcapacity and pension and healthcare costs), caused certain of these companies to undergo restructurings. Any similar decline in the creditworthiness of our customers in the future could result in an increased default risk with respect to our trade receivables and there can be no assurance that any financial arrangements provided to these companies, or even a successful reorganization of such companies through bankruptcy, will guarantee their continued viability. Any such increase in default risk or decline in the financial condition of our OEM customers could have a material adverse effect on our business, financial condition and results of operations.

Our diverse and complex global operations subject us to risks in multiple countries that could adversely affect our business.

We currently manufacture and distribute our products and services and have a presence in 16 countries, namely Australia, Brazil, China, France, Germany, Hungary, India, Japan, Mexico, Portugal, Slovakia, South Korea, Spain, Thailand, the U.K. and the U.S.A., with the construction of additional manufacturing facilities and capacity increases underway in China, Mexico, the U.S. and Hungary. Our future revenue growth depends upon the successful operation of our manufacturing facilities, the efficiency of our delivery and distribution system and the successful management of our sales, marketing, support and service teams through direct and indirect channels in various countries around the world where our current or potential OEM customers are located. The expansion of our business has required, and we expect will continue to require, that we establish new offices, manufacturing facilities, hire new personnel and manage businesses in widely disparate locations with different economies, legal systems, languages and cultures. In addition, we are affected by various factors inherent in carrying out business operations on an international scale, such as:

- coordinating and managing global operations;
- political instability and related uncertainties;
- different economic and business conditions;
- difficulties in staffing and managing foreign operations, including coordinating and interacting with our local representatives and partners to fully understand local business and regulatory requirements;
- immigration and labor laws, which may prevent us from deploying or retaining an adequate number of employees in foreign countries;
- compliance with anti-corruption and anti-bribery laws;
- foreign currency exchange rate fluctuations;
- varying and possibly overlapping tax regimes, including the risk that the countries in which we operate will impose taxes on inter-company relationships;
- exposure to different legal standards and enforcement mechanisms, including differing creditors' rights and insolvency regimes;
- restrictions on repatriation of earnings;
- tariffs and other restrictions on trade and differing import and export licensing and other legal requirements;

- compliance with increasingly strict environmental regulations, including the regulation of greenhouse gas emissions and its effect on our operations and those of our OEM customers;
- maintaining stable and reliable transportation infrastructure;
- other regulatory changes affecting our business and the automotive industry in general; and
- limited protection for intellectual property rights in some countries.

In addition, we are required to obtain various licenses, permits and approvals for our operations, in these jurisdictions, including but not limited to, environmental permits, emissions licenses and permits and other business licenses. Failure to obtain and maintain any licenses, permits and approvals necessary to operate our business may have a material adverse effect on our business and operations. Furthermore, our government approvals and licenses are subject to numerous conditions, some of which are onerous and require us to undertake substantial compliance-related expenditure. Changes in laws and regulations, more stringent enforcement or alternative interpretation of existing laws and regulations in jurisdictions in which we currently operate can change the legal and regulatory environment, making compliance with all applicable laws and regulations more challenging. In addition, in certain of the jurisdictions in which we operate, such as China, regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards. The growth in size or scope of our business, expansion of our footprint in existing regions in which we operate and entry into new geographies also will expose us to regulatory regimes with which we have no prior direct experience and expansion into new product areas could lead to our becoming subject to additional or different laws and regulations.

Among other things, such legal and regulatory changes could affect our financial, accounting, control, sales, and development functions. Changes in laws and regulations in the future could have an adverse economic impact on us by tightening restrictions, reducing our freedom to do business, increasing our costs of doing business, or reducing our profitability. Failure to comply with applicable laws or regulations can lead to civil, administrative or criminal penalties, including but not limited to fines or the revocation of permits and licenses that may be necessary for our business activities. We could also be required to pay damages or civil judgments in respect of third-party claims, including those relating to personal injury or property damage. Any of these developments, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks associated with foreign exchange rate fluctuations and hedging.

The majority of our costs and incomes are denominated in local currencies, providing a “natural hedge” against currency exchange fluctuations, and some of our contracts with OEMs allow for price adjustments in the event of unfavorable currency exchange rate developments. Nevertheless, our global footprint exposes us to certain currency exchange risks, arising primarily from the import of raw materials for certain of our operations and our non-euro-denominated borrowings. We generally do not enter into forward exchange contracts or other derivative instruments to hedge these risks, as we do not consider the exposures from sales or purchases or the costs relating to raw materials in currencies other than euros to be material to our business. See Note A.6.6.4 to our Financial Statements as of and for the fiscal year ended March 31, 2016 included elsewhere in this Offering Memorandum. Although historically our business has not been materially impacted by currency exchange rate fluctuations, there can be no guarantee that such fluctuations will not affect our financial performance in the future as we continue to expand our operations globally, particularly in emerging markets where the risk of currency volatility is higher.

Furthermore, we generally do not engage in currency hedging on our non-euro denominated loans, and are also exposed to foreign currency risk on the translation of receivables, bank balances and borrowings. The realization of any of these risks could have a material adverse impact on our results of operations.

Our continued operations are critical to our business and any shutdown of our manufacturing facilities may have an adverse effect on our business, results of operations and financial condition.

Our manufacturing facilities are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of efficiency, obsolescence, labor disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. In certain circumstances, the operational risk posed by the foregoing

factors is heightened as a result of our “just-in-time” and “just-in-sequence” delivery operations; which are typically less able to absorb delays. The assembly lines of our OEM customers rely significantly on the timely delivery of our components and our ability to provide an uninterrupted supply of our products is critical to our business. In addition, certain of our customers impose significant penalties on component manufacturers like us for any stoppage in any assembly line, caused either by delayed delivery of a component or a defect in the components delivered. Our business and financial results may be adversely affected by any disruption of operations of our product lines, including as a result of any of the factors mentioned above.

Natural or man-made disasters and other events outside our control, and the ineffective management of the effects of such events, may affect our business.

Some of our facilities are located in areas that may be impacted by natural disasters such as hurricanes, earthquakes, water shortages, tsunamis and floods. In addition, our facilities are subject to other natural or man-made disasters such as fires, acts of terrorism, failures of utilities and epidemics. If any such event were to occur, our business could be affected due to the event itself or due to our inability to effectively manage the effects of the particular event. Potential effects include the loss of business continuity, the loss of business data, and damage to infrastructure. For example, in September and October 2013, SMP experienced unscheduled downtime as a result of a fire at its paint facility in Polinyà, Spain. SMP filed a claim with its insurance providers to cover losses related to both business interruption and property damage and settled the claim during the fiscal year ended March 31, 2016. For more information see the Financial Statements included elsewhere in this Offering Memorandum.

In addition, some of our facilities possess certifications necessary to work on specialized products that our other locations lack. If work is disrupted at one of these facilities due to the occurrence of any such event, it may be impractical or impossible to transfer such specialized work to another facility without significant costs and delays. Thus, any disruption in operations at a facility possessing specialized certifications could adversely affect our ability to provide products and services to our customers, and thus could have a material adverse effect on our business, prospects, results of operations, cash flows and financial condition.

Acts of terrorism and other political and economic developments could adversely affect our business.

Increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, conflicts in several regions in which we operate, strained international relations arising from these conflicts and the related decline in consumer confidence may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations or those of our customers and suppliers and could affect the availability of materials needed to manufacture our products or the means to transport those materials to manufacturing facilities and finished products to customers. These events have had and may continue to have an adverse impact on the world economy and customer confidence and spending in particular, which could, in turn, adversely affect our revenue, operating results and cash flows. The impact of these events on the volatility of global financial markets may limit the capital resources available to us and to our customers and suppliers.

Any delay in the implementation or failure in the operation of our information systems could disrupt our operations and cause an unanticipated increase in costs.

We have implemented various information technology (“IT”) solutions to cover key areas of our operations. For instance, we have implemented systems to consolidate data and other key performance parameters at the regional and corporate levels. Other significant IT solutions include systems designed to provide data security and to allow for collaboration of information across the network, as well as supply chain solutions to cover critical processes in relation to customers and suppliers across our manufacturing facilities. Any delay in the implementation or failure in the operation of these information systems could result in material adverse consequences, including disruption of operations, loss of information and an unanticipated increase in costs.

Further, these systems are potentially vulnerable to damage or interruption from a variety of sources, which could result in a material adverse effect on our operations. Disruption or failure of our IT systems could have a material adverse effect on our operations. A large-scale IT malfunction could disrupt our business or lead to disclosure of sensitive company information. Our ability to keep our

business operating depends on the proper and efficient operation and functioning of various IT systems, which are susceptible to malfunctions and interruptions (including those due to equipment damage, power outages, computer viruses and a range of other hardware, software and network problems). A significant or large-scale malfunction or interruption of one or more of our IT systems could adversely affect our ability to keep our operations running efficiently and affect product availability, particularly in the country, region or functional area in which the malfunction occurs, and wider or sustained disruption to our business cannot be excluded. In addition, it is possible that a malfunction of our data system security measures could enable unauthorized persons to access sensitive business data, including information relating to our intellectual property or business strategy or those of our customers. Such malfunction or disruptions could cause economic losses for which we could be held liable. A failure of our information technology systems could also cause damage to our reputation which could harm our business. Any of these developments, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

Increasing labor costs in various jurisdictions in which we operate may adversely affect us.

Increasing labor costs in countries in which we operate such as India, China, Brazil and Mexico may erode our profit margins and compromise our price competitiveness. Historically, the low cost of labor in India, China, Brazil and Mexico had increased our margins, but recent wage increases have increased average wage expenses per employee. We undertake various incentive programs to improve the productivity of our employees, as well as low-cost automation initiatives designed to reduce labor costs. However, if these measures are insufficient to offset increases in overhead costs, or if we are unable to effectively manage these increases in the future, our business, financial condition and results of operations may be adversely affected.

We rely upon contract labor to carry out some of the activities at our manufacturing facilities, and any shortage of such contract labor or work stoppages caused by disagreements with independent labor contractors could adversely affect our business, financial condition and results of operations.

In order to retain flexibility, we enter into contracts with contractors to complete specified assignments in our facilities related primarily to manufacturing and logistics activities, and these contractors are required to source the labor necessary to complete such assignments. Approximately 26.7% of SMR's total workforce and approximately 18.1% of SMP's total workforce was comprised of independent contract or leased labor as of March 31, 2016. Any shortage of such contract labor or any work stoppages caused by disagreements with independent contractors could have a material adverse effect on our business, financial condition and results of operations. Although we do not engage these laborers directly, we may be held responsible for any wage payments to be made to such laborers in the event of default by such independent contractors. Any requirement to fund their wage requirements may have an adverse impact on our results of operations and financial condition.

Agreements with unions or works councils could reduce our ability to manage our cost base and cause labor unrest or work stoppages at our facilities.

We may enter into agreements with unions or works councils under which we incur certain obligations or agree to certain limitations or conditions for a period of time with respect to certain personnel, workplaces, departments or product lines.

If a greater percentage of our work force became unionized, our labor costs could increase. In addition, our collective bargaining agreements are subject to renegotiation with the unions from time to time and it is possible that employees could argue for implementing a European works council or similar arrangement that could cause us to incur higher employment costs. Such agreements or arrangements could limit our ability to adjust workforce headcounts or salaries or to restructure our business in response to difficult economic conditions. This reduced flexibility could have a material adverse effect on our business, financial condition and results of operations.

In addition, since a significant portion of our workforce is unionized or otherwise party to collective bargaining agreements, we could face strikes or other industrial action, and such negative developments in labor relations could have a material adverse effect on our business. We regularly negotiate wages and salaries on terms that have historically allowed us to offer services at competitive prices. Any appreciable increase in the negotiated minimum wage of our workforce could result in an increase in our labor costs and such cost increase could adversely affect our financial performance.

Labor unrest or work stoppages could affect operations regardless of whether the workforce is unionized or subject to a collective bargaining arrangement. If a strike or other action by labor were to cause a work stoppage or other slowdown at one or more of our production facilities, we could experience a significant disruption of our operations and could have to pay penalties for late delivery of our products. Labor unrest or strikes associated with our operations could also damage our reputation with customers or in the market generally. In addition, any such developments at the facilities of any of our principal customers or suppliers could adversely affect our business. Any of these developments, alone or in combination, could have a material adverse effect on our business, financial condition and results of operations.

We depend on our senior management, executive officers, key employees and skilled personnel, and if we are unable to recruit and retain skilled management personnel, our business and our ability to operate or grow our business could be adversely affected.

Our success depends to a large extent upon the continued services of our senior management, executive officers, key employees and other skilled personnel. These employees are not bound by employment or non-competition agreements, and we cannot assure you that we will retain these executive officers and other key employees. We could be adversely affected by the loss of any of these executive officers and other key employees. The market for such qualified professionals is competitive and we may not continue to be successful in our efforts to attract and retain qualified people. In some of our markets, the specialized skills we require are difficult and time-consuming to acquire and, as a result, are in short supply. We require a long period of time to hire and train replacement personnel when we lose skilled employees. Our inability to hire, train and retain a sufficient number of qualified employees could delay our ability to bring new products or services to the market and impair the success of our operations. This could have a material adverse effect on our business, financial condition and results of operations.

Our success also depends, in part, on key customer relationships forged by members of our senior management. If we were to lose these members of senior management we cannot assure you that we will be able to continue to maintain key customer relationships or renew them. If we are unable to retain these members of our senior management, our business, financial condition and results of operations may be adversely affected.

We cannot guarantee that our decentralized structure will not lead to incidents or developments that could damage our reputation, operations or financial condition.

We have a globally decentralized management structure, with separate management functions in each of SMR and SMP, to enable our regional and local managers to quickly and effectively respond to trends in their respective markets. While we maintain strong centralized financial control guided by SMG, substantial independent decision-making functions are retained in each of SMR and SMP, and may result in decisions regarding the allocation of resources, contract pricing and other operational matters that are not in the best interests of our combined Group. Additionally, while our regional heads report to the respective divisions' chief executive officer or chief operating officer, our regional and local managers have a certain amount of operational and decision-making flexibility, including the day-to-day management of the product lines, pricing and other sales decisions. We cannot guarantee that our divisional, regional and local management will not take actions or experience problems that could damage our reputation or that could otherwise have a material adverse effect on our combined business, financial condition and results of operations.

We conduct a small portion of our operations through joint ventures over which we may have limited control.

We conduct some of our operations through joint ventures with business partners, particularly in China. Specifically, SMR conducts a portion of its business in China through Ningbo SMR Huaxiang Automotive Mirrors Co. Ltd., a joint venture with Ningbo Huaxiang Electronic Company Limited in which SMR controls 50%, and SMP conducts a portion of its business in China through Changchun Peguform Automotive Plastics Technology Co., Ltd., a joint venture with Changshu Automotive Interior Trim Co. Ltd. in which SMP controls 50.001%. In any joint venture arrangement, differences in views among the joint venture participants may result in delayed decisions or in failures to reach agreement on major issues. We and our joint venture partners may, in certain instances, fail to reach agreement on significant decisions on a timely basis, or at all. We also cannot control the actions of our joint venture partners, including any non-performance, default by or bankruptcy of our joint

venture partners, and we typically share liability or have joint and/or several liability with our joint venture partners for joint venture matters. Any of these factors could potentially have a material adverse effect on our joint venture operations and the profitability of our joint ventures.

In joint ventures in which we hold a minority interest, we have limited control over many decisions relating to joint venture projects and internal controls relating to such projects. These joint ventures may not be subject to the same requirements regarding internal controls and internal control reporting as apply to us. As a result, internal control issues may arise that could have a material adverse effect on the joint venture. In addition, in order to establish or preserve relationships with our joint venture partners, we may agree to assume risks and contribute resources that are proportionately greater than the returns we expect to receive in the related joint venture. Such agreements may reduce our income and returns on these investments compared to what we would have received if our assumed risks and contributed resources were proportionate to our returns.

The occurrence of any or all of the above may result in a material adverse effect on our business, financial condition and results of operations.

Our business exposes us to potential liabilities that may not be covered by insurance.

Our business is subject to a number of risks that could expose us to substantial liability for personal injury, wrongful death, product liability, property damage, pollution and other environmental damages. Although we have obtained insurance against many of these risks, our insurance may not be adequate to cover our liabilities. Furthermore, there is no assurance that insurance will be generally available in the future or, if available, that the premiums will be commercially justifiable. If we incur substantial liability and the damages are not covered by insurance or exceed policy limits, or if we are not able to obtain liability insurance, our business, financial condition and results of operations could be adversely affected to a material extent. Our insurance is subject to customary deductibles, exclusions and limits which may prevent us from fully recovering our losses.

The success of our newly designed products and other innovations depends in part on our ability to obtain, protect and leverage intellectual property rights to our designs and we cannot assure you that we will develop sufficient new revenue streams to replace revenue streams that may diminish as our current intellectual property rights expire.

Our success and competitive position depends on a combination of trade secrets and other unpatented proprietary know-how, including, in particular, engineering drawings, exclusively licensed-in technologies, data and manufacturing processes and materials expertise. We have developed several proprietary product lines that use technology that we believe is unique to us. In addition, due to the high degree of customization of our technologies, new products and processes may be developed jointly with customers or suppliers. While the terms of these collaborations with customers or suppliers vary, in a limited number of cases, customers and suppliers restrict us from using the developed technology or producing the developed products for competitors for a period of time, while in a limited number of cases we may be prevented from exploiting such technology or product or selling to other customers at any time. Any dispute we may have with our customers regarding the ownership of patents or other forms of intellectual property, could negatively affect our business.

We believe that having a significant level of protected proprietary technology gives us a competitive advantage in marketing our products and services. We therefore try to obtain and protect certain intellectual property rights to our newly designed products and other innovations. For example, as of March 31, 2016, SMR held 658 granted patents, 135 pending patents and 15 registered utility models, and SMP held 280 granted patents, 42 pending patents and 30 registered utility models. However, we cannot be certain that the measures that we employ will result in the protection of our intellectual property rights or will result in the prevention of unauthorized use of our proprietary technology. We also rely upon unpatented proprietary know-how and continuing technological innovations and other trade secrets to develop and maintain our competitive position. While it is our policy to enter into confidentiality agreements with our key employees to protect our intellectual property, there can be no assurance that these confidentiality agreements will not be breached or that they will provide meaningful protection for our trade secrets or our proprietary know-how, if at all. In addition, there can be no assurance that other companies will not obtain knowledge of these trade secrets through independent development or other legal means of access. Any failure to protect our proprietary rights relating to our designs, processes, components, technology, trade secrets or

proprietary know-how could have a material adverse effect on our business, financial condition and results of operations.

In addition, our existing intellectual property rights are not indefinite and will expire. There can be no assurance that we will develop sufficient revenue streams protected by equivalent rights in the future to replace revenue streams as the relevant intellectual property rights lapse. Furthermore, intellectual property rights can be challenged on the basis of invalidity. Although we typically confirm that our processes do not violate existing intellectual property rights of third parties, we may face claims that our product designs or manufacturing processes infringe third party intellectual property rights. Even though many of our manufacturing services contracts generally require our customers to indemnify us for infringement claims relating to the product specifications and designs, a particular customer may be unwilling or unable to satisfy its indemnity obligations. In addition, we may be responsible for claims that the processes or components that we use in manufacturing infringe third party intellectual property rights. Infringement claims could subject us to significant liability for damages and potentially injunctive action and, regardless of merits, could be time-consuming and expensive to resolve.

While we have selectively pursued trademark protections in Europe, the United States, Japan, China, Brazil and Mexico, in some countries we have not perfected copyright or trademark rights. In addition, we sell our products globally and effective intellectual property protection may not be available or be as robust as in Europe or the United States. Furthermore, the maintenance of the full range of patent, trademark, utility model and registered design protection available in all relevant jurisdictions is cost-prohibitive. As a result, we may not be able to prevent others from copying our products or from using our trademarks, which could have a material adverse effect on our business, financial condition and results of operations.

Product liability and other civil claims and costs incurred as a result of product recalls could have a material adverse effect on our business, financial condition and results of operations.

We face an inherent business risk of exposure to product liability or recall claims in the event that our products fail to perform as expected or any such failure results, or is alleged to result, in bodily injury or property damage or both. We cannot assure you that we will not experience any material product liability losses in the future or that we will not incur significant costs to defend any such claims.

OEMs have their own policies regarding product recalls and other product liability actions relating to their suppliers. However, while we do not typically accept liability for product recalls in the contracts we negotiate with our customers, as suppliers become more integrally involved in the vehicle design process and assume more vehicle assembly functions, OEMs may seek compensation from their suppliers for contributions when faced with product recalls, product liability or warranty claims. See “—*Damage to our image and reputation or any of our customers’ images and reputations could have a material adverse effect on our results of operations.*” OEMs are also increasingly requiring their outside suppliers to provide warranties for their products and bear the costs of repair and replacement of such products under new vehicle warranties. Depending on the terms under which we supply products, our customers may hold us responsible for some or all of the repair or replacement costs of defective products under new vehicle warranties provided by us or by our customers, when the product supplied does not perform as expected. Such warranties may be enforced against us even in cases where the underlying supply contract has expired. Such events may require us to expend considerable resources in correcting these problems and could adversely affect demand for our products. Any such lawsuits, proceedings and other claims could result in increased costs for us. A successful warranty or product liability claim or costs incurred in a product recall in excess of our available insurance coverage, if any, could have a material adverse effect on our business, prospects, results of operations, cash flows and financial condition.

Although we maintain product liability insurance, we cannot guarantee that our product liability insurance coverage will be adequate under certain circumstances or continue to be available at acceptable terms, including, among other things, the premium payable. As a result of product liability legislation, civil claims may be brought against OEMs, and we may be made parties to such claims in the event that damages may have been caused by any faulty products that we produced. We cannot assure you that such claims will not be brought against us in the future, and any adverse determination could have a material adverse effect on our business, financial condition and results of operations.

Our operations are subject to environmental and health and safety laws and other government regulations which could result in material liabilities in the future.

We are subject to applicable laws and regulations and customer specifications with respect to the protection of the environment and employee health and safety in each of the jurisdictions in which we operate. Our manufacturing processes and products are subject to stringent quality, environmental and occupational health and safety standards with all primary production facilities certified to high standards including ISO 14001, ISO 9001, TS 16949 and OHSAS 16001, where applicable. We are also required to obtain permits from governmental authorities for certain operations.

The nature of our operations involves individuals working under potentially dangerous circumstances or with flammable materials. Our operations are subject to significant hazards, including explosions, fires, mechanical failures and other operational problems, discharges or releases of hazardous substances, chemicals or gases and other environmental risks. Accidents or other incidents that may occur at our facilities or may involve our personnel or visitors or operations could result in claims for damages against us. Such accidents or incidents could do lasting damage to our reputation among customers and the general public, even if we were not actually responsible for causing such damage and no fault on our part has been proven.

A risk of environmental liability is inherent in our manufacturing activities, and we are subject to numerous environmental laws and regulations in the countries in which we operate. Under certain environmental laws, we could be held solely or jointly and severally responsible, regardless of fault, for the remediation of any hazardous substance contamination at our past and present facilities or any consequences arising out of human exposure to such hazardous substances, and could also be held liable for damages to natural resources or other environmental damage. For example, both SMR and SMP are subject to the Registration, Evaluation, Authorization and Restriction of Chemicals (“REACH”), an EU regulation imposing certain reporting requirements on companies regarding the production and use of certain chemical substances. SMR and SMP are in material compliance with REACH. However, we cannot assure that we have been or that we will be at all times in complete compliance with environmental laws, regulations and permits, and the nature of our operations, and the history of industrial uses at some of our facilities, expose us to the risk of liabilities or claims with respect to environmental and worker health and safety matters including with respect to activities conducted prior to our ownership. If we violate or fail to comply with environmental laws, regulations and permits, we could be subject to penalties, fines, restrictions on operations or other sanctions, and our operations could be interrupted or suspended.

Significant changes in laws and governmental regulations could have an adverse effect on our profitability.

The legal, regulatory and industry-standard environment in our principal markets is complex and dynamic, and future changes to the laws, regulations and market practice with regard to, for example, carbon dioxide emissions and safety tests and protocols, could have an adverse effect on the products we produce and on our profitability.

Additionally, we could be adversely affected by changes in tax or other laws that impose additional costs on automobile manufacturers or consumers, or more stringent fuel economy and emissions requirements on manufacturers of sport-utility vehicles, light trucks and other vehicles from which we derive some of our sales.

We face risks relating to the availability of tax deductions.

We are subject to income, withholding, value-added and other sales-based, real property and local taxes and other taxes and duties in various jurisdictions. Our worldwide provision for taxes is based on our judgment (acting reasonably and after considering the relevant information available to us) of tax risk in such jurisdictions which may be challenged by relevant tax authorities. The tax position taken with respect to certain transactions and calculations may be challenged by tax authorities for reasons including transfer pricing, the availability of deductions for interest expense and other deductible items, the treatment of acquisition, refinancing and reorganization transactions, intercompany funding arrangements, the application and effect of tax “holidays” and the calculation of deferred tax assets and liabilities. For example, transfer pricing adjustments may arise in relation to the intra-group provision of services and sales of products. Although we believe our tax estimates and provisions are reasonable, there can be no assurance that the final determination of any tax audits or litigation will not be materially different from that which is reflected in historical income tax provisions and accruals. We

are subject to tax audits and tax reviews, which, by their nature, are often complex, and can require several years to conclude. The total accrual for income tax in any year is based on the judgment of our management, interpretation of country-specific tax law and the likelihood of crystallization and settlement of any particular tax liability. Amounts provided for in any year could be less than actual tax liabilities, and adjustments may be required in subsequent years that may materially adversely affect our income statement and/or cash tax payments, and may result in the payment of interest and/or penalties.

Changes in legislation or policies related to tax applicable to us could adversely affect our results of operations.

We are subject to complex tax laws in each of the jurisdictions in which we operate. Changes in tax laws could adversely affect our tax position, including our effective tax rate or tax payments. In addition, European tax laws and regulations are extremely complex and are subject to varying interpretations. We often rely on generally available interpretations of tax laws and regulations in the jurisdictions in which we operate. We cannot be certain that the relevant tax authorities are in agreement with our interpretation of these laws. If our tax positions are challenged by relevant tax authorities, the imposition of additional taxes could require us to pay taxes that we currently do not collect or pay or increase the costs of our products or services to track and collect such taxes, which could increase our costs of operations and have a material adverse effect on our business, financial condition and results of operations.

In addition, particularly in emerging markets such as China and Brazil, tax laws may be interpreted inconsistently. The application and interpretation of laws by governmental authorities may therefore be uncertain and difficult to predict. The position we take on taxation-related matters is subject to possible review and investigation by tax authorities. If governmental authorities were to successfully challenge the tax positions we take, substantial fines, penalties and interest charges may be imposed on us. This could have a material adverse impact on our business, financial condition and results of operations.

Certain territories in which we operate also have transfer pricing regulations that require transactions involving associated companies to be effected on arm's length terms. It is our policy, therefore, that any pricing of arrangements between members of SMG, such as the intra-group provision of services, is carried out on an arm's length basis and in accordance with all applicable regulations. However, if the tax authorities in the relevant jurisdictions do not regard these arrangements as being made at arm's length and successfully challenge those arrangements, the amount of tax payable, in both current and previous years, by the relevant member of SMG may increase materially, and penalties or interest may also be payable. This could have a material adverse impact on our business, financial condition and results of operations.

Legal or regulatory claims or investigations against us could have a material adverse effect on our financial position.

From time to time, we may become involved in legal or regulatory proceedings, claims or investigations, including by governmental bodies, customers, suppliers, former employees, class action plaintiffs and others. On an ongoing basis, we attempt to assess the likelihood of any adverse judgments or outcomes to these proceedings or claims, although it is difficult to predict final outcomes with any degree of certainty.

We do not believe that any of the proceedings or claims to which we are party will result in costs, charges or liabilities that will have a material adverse effect on our financial position. However, we cannot assure you that the costs, charges and liabilities associated with these matters will not be material, or that those costs, charges and liabilities will not exceed any amounts reserved for them in our Financial Statements. In future periods, we could be subject to cash costs or non-cash charges to earnings if any of these matters are resolved unfavorably to us.

We have entered into, and will continue to enter into, related party transactions, and there can be no assurance that we could not have achieved more favorable terms had such transactions not been entered into with related parties.

We have entered into transactions with several related parties. These agreements include loan agreements entered into with certain of our shareholders and contracts for the provision of components,

raw materials and tooling from certain related entities. While we believe that all such transactions have been conducted on an arms-length basis, there can be no assurance that we could not have achieved more favorable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we will enter into related party transactions in the future. The transactions we have entered into and any future transactions with our related parties have involved or could potentially involve conflicts of interest. These related party transactions include sales and purchases of goods, rendering of services, sales and purchases of fixed assets, payments of dividends, the making and borrowing of loans and capital advances. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our business, financial condition and results of operations. See “*Certain Relationships and Related Party Transactions.*”

Our factoring facilities expose us to various risks.

We are party to certain Receivables Facilities. The Receivables Facilities are provided to us on a non-committal basis and may be withdrawn by the respective lenders thereunder at any time. Should the lenders under these facilities withdraw their respective commitments, this might lead to a significant outflow of working capital. In addition, while our Receivables Facilities are generally non-recourse, amounts outstanding thereunder may become recourse in certain circumstances, including in case a commercial dispute arises with regards to the underlying receivables. This could lead to a significant increase in our leverage. Furthermore, changes in IFRS accounting standards, or changes in the method of the treatment for balance sheet purposes of the Receivables Facilities by our auditors, could result in the Receivables Facilities being reclassified as recourse debt, which could lead to a significant increase in our leverage ratio.

Risks Relating to Our Indebtedness

Our substantial leverage and debt service obligations could adversely affect our business and preclude us from satisfying our obligations under the Notes.

We have incurred a substantial amount of indebtedness. As at March 31, 2016, as adjusted to give effect to the Offering, our total external borrowings would have been approximately €903.0 million (including €97.9 million outstanding under the 2025 Notes, €487.8 million outstanding under the 2021 Notes, and €11.4 million outstanding under the Existing Revolving Credit Facilities). See “*Capitalization.*” In addition, we have €192.0 million available for drawing under the Tranche 1 and €100.0 million available for Tranche 2 of the Existing Revolving Credit Facilities and an additional €50.0 million was available for drawing at March 31, 2016 under the Secondary Revolving Credit Facility.

The degree to which we are leveraged could have important consequences to holders of the Notes, including, but not limited to:

- limiting our ability to obtain additional funding for future capital expenditures, working capital requirements, debt service requirements, acquisitions, joint ventures and other general corporate requirements;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, joint ventures and other general corporate requirements;
- limiting our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;
- increasing our vulnerability to downturns in our business or economic and industry conditions;
- customers developing a negative perception of our solvency;
- placing us at a competitive disadvantage compared with our competitors that have less debt; and
- making it more difficult for us to satisfy our debt obligations, including those with respect to the Notes.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations under the Notes.

We and our subsidiaries may incur substantial additional indebtedness in the future, including in connection with any future acquisition. Although the Indenture, the 2021 Indenture, the 2025 Indenture and the Revolving Credit Facilities Agreements contain or will contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition, the Indenture, the 2021 Indenture, the 2025 Indenture and the Revolving Credit Facilities Agreements will not prevent us from incurring obligations that do not constitute indebtedness under those agreements. If we or our subsidiaries incur new debt or other obligations, the related risks that we now face, as described above and elsewhere in these “*Risk Factors*,” could intensify. For further information regarding our substantial leverage and for more information about the terms of our indebtedness that will be outstanding following the Offering, see also “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Description of Certain Financing Arrangements*.”

To service our debt and meet our other cash needs, we will require a significant amount of cash, which may not be available to us.

Our ability to make payments on, or repay or refinance, our debt, including the Notes, the 2025 Notes, the 2021 Notes and the Revolving Credit Facilities, and to fund future capital expenditures and other cash needs will depend largely upon our future operating performance. Our future performance, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, including those discussed in these “*Risk Factors*,” that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated cost savings, revenue growth and operating improvements will be realized or that future debt or equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs, including the repayment at maturity of the 2021 Notes, which will mature in 2021, the repayment at maturity of the 2025 Notes, which will mature in 2025, the then outstanding amount under the Existing Revolving Credit Facilities Agreement, €100.0 million of which will mature in 2018 and €250.0 million of which will mature in 2020, the then outstanding amount under the Secondary Revolving Credit Facility Agreement, which will mature in 2016 and other third-party indebtedness as described in “*Description of Certain Financing Arrangements*.” If we cannot generate sufficient cash to meet our debt service requirements or if future cash flows from other capital resources (including borrowings under the Existing Revolving Credit Facilities Agreement and the Secondary Revolving Credit Facility Agreement) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may, among other things, need to restructure or refinance all or a portion of our debt, including the Notes, obtain additional financing, delay planned capital expenditures or investments or sell material assets. We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on commercially reasonable terms, if at all.

Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of the Indenture, the Notes, the 2025 Indenture, the 2025 Notes, the 2021 Indenture, the 2021 Notes and the Revolving Credit Facilities Agreements, and any future debt, may limit, our ability to pursue any of these alternatives. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business, financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable. If we are unsuccessful in any of these efforts, we may not have sufficient cash to meet our obligations.

In the event that we are unable to satisfy our debt obligations, borrowings under other debt agreements or instruments that contain cross default or cross acceleration provisions may become payable on demand, and we may not have sufficient funds to repay all of our debts, including our obligations under the Notes. Please see “*Description of Certain Financing Arrangements*.”

Restrictive covenants in the Indenture, the 2025 Indenture, the 2021 Indenture and the Revolving Credit Facilities Agreements may restrict our ability to operate our business. Our failure to comply with these covenants, including as a result of events beyond our control, could result in an event of default that could materially and adversely affect our business, results of operations and financial condition.

The Indenture, the 2025 Indenture, the 2021 Indenture and the Revolving Credit Facilities Agreements contain or will contain negative covenants restricting, among other things, the ability of the Issuer and its Restricted Subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- make certain payments, including dividends or other distributions, with respect to the shares of such entity;
- create or incur certain liens;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- sell, lease or transfer certain assets, including stock of Restricted Subsidiaries;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to such entity;
- create Unrestricted Subsidiaries;
- enter into transactions with affiliates;
- consolidate, merge or transfer all or substantially all of the assets of the Issuer or any Guarantor subsidiaries on a consolidated basis; and
- impair the security interests created for the benefit of the holders of Notes.

All of these limitations will be subject to significant exceptions and qualifications. See “*Description of Notes—Certain Covenants*” and “*Description of Certain Financing Arrangements.*” The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, the Indenture, the 2025 Indenture, the 2021 Indenture and the Revolving Credit Facilities Agreements require us to comply with certain affirmative covenants, and the Revolving Credit Facilities Agreements require us to comply with a Total Net Leverage Ratio covenant, a Consolidated Interest Coverage Ratio covenant and an Asset Cover covenant (each as defined in the respective Revolving Credit Facilities Agreements). The restrictions contained in the Indenture, the 2025 Indenture, the 2021 Indenture, the Revolving Credit Facilities Agreements could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Indenture, the 2025 Indenture, the 2021 Indenture or one or more of the Revolving Credit Facilities Agreements.

Upon the occurrence of any event of default under any of the Revolving Credit Facilities Agreements, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could elect to declare all amounts outstanding, together with accrued interest, immediately due and payable and cancel the availability of the facilities, as applicable. In addition, any default under any of the Revolving Credit Facilities Agreements could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions, including the Indenture, the 2025 Indenture, the 2021 Indenture or any of the Revolving Credit Facilities Agreements, as applicable. If our creditors, including the creditors under one or more of the Revolving Credit Facilities Agreements, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Notes. In addition, if we are unable to repay those amounts, our

creditors could proceed against the collateral that secures the debt under the 2025 Indenture, the 2021 Indenture, the Indenture, the Revolving Credit Facilities Agreements, certain hedging liabilities and certain other future indebtedness permitted to be incurred under the Indenture and the Notes.

We are exposed to risks associated with interest rate fluctuations on our outstanding debt.

After giving effect to the Offering, a significant portion of our debt will bear interest at floating rates. We do not typically use any hedging instruments in relation to the interest rates based on the EURIBOR and LIBOR rates on most of our euro-denominated debt. Accordingly, we are exposed to risks associated with changes in the EURIBOR or LIBOR rates. As a result, an increase or decrease in interest rates would affect our current interest expenses and our future refinancing costs. Any unfavorable changes in the interest rates on our debt could thus have a material adverse effect on our business, prospects, results of operations, cash flows and financial condition.

Risks related to the Notes and the Structure

The Issuer is a holding company that has no revenue generating operations of its own and will depend on cash from its subsidiaries to be able to make payments on the Notes.

The Issuer of the Notes, Samvardhana Moterson Automotive Systems Group B.V., is a holding company with no business operations and no assets, other than the equity interests it holds in its subsidiaries. We will be dependent upon the cash flow from its subsidiaries in the form of dividends or other distributions or payments to meet our obligations, including our obligations under the Notes. The amounts of dividends and distributions available to us will depend on the profitability and cash flows of our subsidiaries and the ability of our subsidiaries to make payments to us will depend upon their cash flows and earnings which, in turn, will be affected by all of the factors discussed in these “*Risk Factors*” and elsewhere in this Offering Memorandum. In addition, the ability of our subsidiaries to make payments to us will depend on the ability of our subsidiaries to issue dividends to us under applicable law. Our subsidiaries, however, may not be permitted to make distributions or repay or advance intercompany loans to us to make payments in respect of our indebtedness, including the Notes. In addition, our subsidiaries that do not guarantee the Notes have no obligation to make payments with respect to the Notes.

The Notes will be structurally subordinated to the liabilities of the Non-Guarantor Restricted Subsidiaries, which might be substantial.

Not all of the Issuer’s subsidiaries will be required to guarantee the Notes. On a combined basis, and excluding the Restricted Jurisdiction Non-Guarantors, the Issuer and the Guarantors represented 96.6% of our consolidated revenue and 97.8% of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held 97.1% of our consolidated Total Net Assets as of March 31, 2016. Including the Restricted Jurisdiction Non-Guarantors, the Issuer and the Guarantors, on a combined basis, represented 80.6% of our consolidated revenue and 80.3% of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held 73.1% of our consolidated Total Net Assets as of March 31, 2016. As of March 31, 2016, giving pro forma effect to the Offering as if they had occurred on that date, those of our subsidiaries that will not guarantee the Notes would have had €32.7 million of indebtedness outstanding, all of which would have been structurally senior to the Notes. Furthermore, the Indenture, the 2025 Indenture, the 2021 Indenture and the Revolving Credit Facilities Agreements will, subject to certain limitations, permit the Non-Guarantor Restricted Subsidiaries, as well as any newly established subsidiaries, to incur a substantial amount of additional indebtedness and will not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries. Creditors of such additional indebtedness are entitled to payments of their claims from the assets of such Non-Guarantor Restricted Subsidiaries before these assets are made available for distribution to any Guarantors, as a direct or indirect shareholder. Moreover, in the event that any of the Non-Guarantor Restricted Subsidiaries becomes insolvent, liquidates or otherwise reorganizes, the creditors of the Guarantors will have no right to proceed against such subsidiary’s assets and creditors of such Non-Guarantor Restricted Subsidiaries will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before any Guarantors will be entitled to receive any distributions from such subsidiary. As such, the Notes and the Guarantees will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-Guarantor subsidiaries.

The Indenture does not require the Guarantors to guarantee the Notes on the Issue Date.

The Indenture does not require that the Guarantors guarantee the Notes on the Issue Date. Instead, the Initial Guarantors will guarantee the Notes no later than 15 days following the Issue Date. Certain of the Initial Guarantors are holding companies without any material business operations or assets on their own. As a result, the value of the Initial Guarantees may be limited.

In addition, the Post-Closing Guarantors will not guarantee the Notes until 90 days following the Issue Date. Excluding the Restricted Jurisdiction Non-Guarantors, the Issuer and the Guarantors, on a combined basis, accounted for 96.6% of our revenue and 97.8% of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held 97.1% of our consolidated Total Net Assets as of March 31, 2016. Including the Restricted Jurisdiction Non-Guarantors, the Issuer and the Guarantors, on a combined basis, accounted for 80.6% of our revenue and 80.3% of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held 73.1% of our consolidated Total Net Assets as of March 31, 2015. As non-Guarantors represented 19.7% of the Group's EBITDA in the fiscal year ended March 31, 2016, the consolidated financial information of the Group may be of limited use in assessing the financial position of the Guarantors.

As a result, holders of the Notes will not benefit from all Guarantees under the Indenture until a substantial time after the Issue Date. Should the Issuer be unable to fulfill its obligations under the Indenture prior to the date all of the Guarantors have provided their respective Guarantees, payments by the then existing Guarantors may be insufficient to fully compensate investors, if at all.

The Initial Guarantors and the Post-Closing Guarantors are only required to deliver their respective Guarantees after the Closing Date.

Each of the Initial Guarantors and the Post-Closing Guarantors will undertake in the Indenture to enter into a supplemental indenture to the Indenture (in the case of the Initial Guarantors) at Closing Date or within 15 days of the Closing Date and (in the case of the Post-Closing Guarantors) within 90 days of the Closing Date in order to unconditionally and irrevocably guarantee the payment of all sums expressed to be payable from time to time by the Issuer under the Notes and the Indenture. However, there can be no assurance that the Initial Guarantors and/or the Post-Closing Guarantors will satisfy their respective undertakings under the Indenture to provide such guarantees on time or at all. Any failure by any of the Initial Guarantors or the Post-Closing Guarantors to fulfill their obligations to provide their respective guarantees may constitute an Event of Default. "See Description of Notes—Events of Default".

The Notes and the Initial Guarantees, if any, may be unsecured on the Issue Date.

Pursuant to the terms of the Indenture, the subsidiaries that will provide Collateral to secure the Issuer's and the Guarantors' obligations under the Notes and the Indenture will not be required to provide such Collateral on the Issue Date. As a result, the Notes and the Initial Guarantees, if any, may be unsecured on the Issue Date. Instead, the Indenture provides for a grace period of 15 days or 90 days following the Issue Date after which the Notes and any Guarantees are to be secured by first-ranking pledges and liens over the Collateral. As a result, holders of the Notes will not benefit from all Collateral required to secure the Notes and the Guarantees under the Indenture until a substantial time after the Issue Date. Should the Issuer be unable to fulfill its obligations under the Indenture prior to the date all Collateral has been provided to secure the Notes, and should the security interests in the Collateral be enforced prior to such date, the proceeds from such enforcement might be insufficient to fully compensate investors, if at all.

The current Group corporate structure does not allow for a single point of enforcement of security.

In the current corporate structure of the Group, the Issuer directly holds the shares of SMR Jersey, SMP Ibérica, Samvardhana Motherson Peguform GmbH and SMP Automotive Interiors (Beijing) Co. Ltd. See "Summary—Corporate Structure and Certain Financing Arrangements." Part of the Collateral will be comprised of security interests in the shares of SMR Jersey, SMP Ibérica and Samvardhana Motherson Peguform GmbH. As result of our corporate structure, there is no single company holding all assets of the Group, and there will be no single point of enforcement of security interests over the shares of a holding company of the entire operating Group. Instead, to sell the entire operations of the Group, three separate security interests in the shares of SMR Jersey, SMP Ibérica and Samvardhana Motherson Peguform GmbH would need to be enforced, which may delay the sale of the Group, or

prevent a sale of the Group as a whole. Additionally, the Indenture does not restrict the number of entities that can be organized as direct subsidiaries of the Issuer. As a result, we could reorganize our business and move operating entities in our group underneath the Issuer as a result of which the enforcement of share pledges over operating entities could become even more burdensome. Additionally, we might move entities organized in jurisdictions that cannot guarantee or secure the Notes to be direct subsidiaries of the Issuer, thus removing them from the scope of the share pledges.

The Issuer and the Guarantors will have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.

Once the security interests over the Collateral have been granted in accordance with the Indenture, the 2025 Indenture, the 2021 Indenture, the Revolving Credit Facilities Agreements and the Intercreditor Agreement will allow the Issuer and the Guarantors to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of, as applicable, any income from the Collateral securing the Notes. So long as no default or event of default under these documents would result therefrom, the Issuer and the Guarantors may, among other things, without any release or consent by the Trustee, the Security Agent or Noteholders, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of the Collateral and making ordinary course cash payments, including repayments of indebtedness.

The value of the Collateral may decrease because of obsolescence, impairment or certain casualty events.

The value of certain properties and assets serving as Collateral may be adversely affected by depreciation and normal wear and tear or because of certain events that may cause damage to these properties. Although the Revolving Credit Facilities Agreements and, in certain limited cases, the Security Documents will contain certain covenants in relation to the maintenance and preservation of assets and the 2025 Indenture and 2021 Indenture contain, and the Indenture will contain, a covenant restricting impairment of security interests, the Issuer and the Guarantors will not be required to improve the Collateral. Any insurance policies carried by the Issuer or the Guarantors is unlikely to cover all the events that may conceivably result in damage to the Collateral.

It may be difficult to realize the value of the Collateral directly or indirectly securing the Notes.

Pursuant to the Security Documents and the Intercreditor Agreement, the Collateral secures or will secure obligations under the Notes, the 2025 Notes, the 2021 Notes, the Revolving Credit Facilities Agreements and certain hedging obligations. For a description of the Collateral, see “*Description of Notes—Security*.” The Collateral may also secure additional indebtedness to the extent permitted by the Indenture, the 2025 Indenture, the 2021 Indenture, the Revolving Credit Facilities Agreements and the Intercreditor Agreement.

No appraisals of any Collateral have been prepared in connection with this Offering. The amount of proceeds realized upon the enforcement of the Collateral or the Guarantees will depend upon market and other economic conditions as well as several other factors including, among others, whether the Group’s businesses are sold as a going concern, the ability to readily liquidate the Collateral and the condition of such collateral, the availability of suitable buyers, and the jurisdiction in which the enforcement action or sale is contemplated. There may not be any buyer willing and able to purchase the Group’s businesses as a going concern, or willing to buy a significant portion of their assets in the event of an enforcement action. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. By its nature, some of the assets that comprise the Collateral are illiquid and/or may have no readily ascertainable market value such that the value of the Collateral to other parties may be less than its value to us. There can also be no assurance that the Collateral could be sold in a timely manner, if at all.

The realization of the security interests in the Collateral and the Guarantees will be subject to practical problems generally associated with the realization of security interests in collateral. For example, the Security Agent may be required to obtain the consent of a third party to obtain or enforce a security interest in a contract. We cannot assure you that the Security Agent will be able to obtain any such consent or that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets and the value of the collateral may significantly decrease.

In addition, our business requires a variety of national, state and local permits and licenses. The continued operation of assets that comprise part of the Collateral and which depend on the maintenance

of such permits and licenses may be prohibited. Our business is subject to regulations, permitting, safety and other requirements and may be adversely affected if we are unable to comply with existing regulations or such requirements or changes in applicable regulations or such requirements. In the event of foreclosure, the transfer of such permits and licenses may be prohibited or may require us to incur significant cost and expense. Further, we cannot assure you that the applicable governmental authorities will consent to the transfer of all such permits. If the regulatory approvals required for such transfers are not obtained or are delayed, the foreclosure may be delayed, a temporary shutdown of operations may result and the value of the Collateral may be significantly decreased.

Each of these factors or any challenge to the validity of any arrangements governing creditors' rights under the Collateral could reduce the proceeds realized upon enforcement of such collateral. Consequently, there can be no assurance that the proceeds from the sale of the Collateral, if successful, will be sufficient to satisfy the Issuers' obligations under the Notes.

Applicable law and other limitations on the enforceability of the security may adversely affect its validity and enforceability.

The obligations of the Issuer under the Notes and of the Guarantors under the Guarantees will be, subject to the restrictions and limitations detailed herein, secured by the Collateral on a first ranking basis as described in this Offering Memorandum. The security may be subject to claims that it should be limited or subordinated in favor of our existing creditors and future creditors under applicable law. In addition, enforcement of the security will be limited to the extent of the amount which can be secured by the Issuer and the Guarantors without rendering the security voidable or otherwise ineffective under applicable law. Enforcement of the security against the Issuer and the Guarantors will be subject to certain defenses available to security providers generally. These laws and defenses include those that relate to insolvency, voidable preference, financial assistance, corporate purpose or benefit, the preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. The effectiveness or enforceability of any security created by a Guarantor in relation to any property situated outside the jurisdiction governing that security, or in relation to property governed by any law other than the law governing that security, will be determined by the law of the place in which the relevant property is situated or such other law. This will limit the ability of the Security Agent or Noteholders to enforce security over, and realize value from, certain assets of such Guarantor(s). For a summary of applicable limitations on the enforcement of the security interests, see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*"

The Guarantees and the security interests over the Collateral, including future security interests permitted by the Indenture and actually granted, will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability.

The Issuer and the Guarantors are organized under the laws of the Netherlands, France, Germany, Jersey, Spain, Mexico, Cyprus, Hungary, Australia, England and Wales, Delaware and Michigan. Although laws differ among these jurisdictions, in general, applicable fraudulent transfer and conveyance laws, equitable principles and insolvency laws and limitations on the enforceability of judgments obtained in courts in such jurisdictions could limit the enforceability of the Guarantees and the Collateral against a Guarantor. Please see "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*"

Enforcement of any of the Guarantees against any Guarantor will be subject to certain defenses available to Guarantors in the relevant jurisdiction. Although laws differ among these jurisdictions, these laws and defenses generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Guarantee depending on the amounts of its other obligations and applicable law. Limitations on the enforceability of judgments obtained in New York courts in such jurisdictions could limit the enforceability of any Guarantee against any Guarantor.

Although laws differ in various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate, reduce or void the Guarantees or the security interests in the Collateral

and, if payment had already been made under a Guarantee or the relevant security interests, require that the recipient return the payment to the relevant Guarantor or the relevant security provider, if the court found that:

- the relevant Guarantee was incurred or security interest was created with actual intent to hinder, delay or defraud current or future creditors or shareholders of the Guarantors or the relevant security providers with a desire to prefer some creditors over others or the relevant obligor was insolvent when creating the security interest or, in certain jurisdictions, if the recipient was aware that the relevant obligor was insolvent when it granted the relevant Guarantee or created the relevant security interest;
- the Guarantor or the relevant security provider did not receive fair consideration or reasonably equivalent value for the relevant Guarantee or the creation of the relevant security interest and the Guarantor or the relevant security provider was: (i) insolvent or rendered insolvent because of the relevant Guarantee or the creation of the security interest or subsequently became insolvent for other reasons; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee or the relevant security interests; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity or create an imbalance between the other financial burdens assumed by the Guarantors or the relevant security provider;
- the relevant Guarantees or the relevant security interests were held to exceed the corporate objects of such obligor or the credit lines which effectively benefit to such obligor or not to be in the best interests or for the corporate benefit of the relevant obligor;
- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law; or
- the relevant security interest securing a third party's debt was not approved by the relevant corporate body.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon applicable governing law. Generally, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, is greater than the fair value of all its assets;
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its existing debts and liabilities, including contingent and prospective liabilities, as they become due; or
- it cannot pay its debts as they become due.

We cannot assure you which standard a court would apply in determining whether a Guarantor was "insolvent" at the relevant time or that, regardless of the method of valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Guarantee was issued, that payments to holders of Notes constituted preferences, fraudulent transfers or conveyances on other grounds.

The liability of each Guarantor under its Guarantee will be limited to the amount that will result in such Guarantee not constituting a preference, fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there can be no assurance as to what standard a court will apply in making a determination of the maximum liability of each Guarantor. There is a possibility that the entire Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court decided that a Guarantee was a preference, fraudulent transfer or conveyance and voided such Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the relevant Guarantee which has not been declared void. In the event that any Guarantee is invalid or unenforceable, in whole or in part, or to the extent the agreed limitation of the Guarantee obligations apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor, and if we cannot satisfy our obligations under the Notes, or any Guarantee is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, we cannot assure you that we can ever repay in full any amounts outstanding under the Notes, or that in turn, the Issuer can ever repay in full any amounts outstanding under the Notes.

In many jurisdictions those limitations languages have not been tested in court and it is uncertain whether, in the event of violation of capital maintenance or similar rules, a security interest or a Guarantee will be null and void altogether or only in part (*i.e.*, to the extent it is not compliant with capital maintenance or similar rules). Irrespective thereof, the application of such limitation language may result in a security interest or a Guarantee having a value of zero because of insufficient profits or assets of the respective Guarantor.

If a court were to find that the issuance of a Guarantee or the granting of security interests over the Collateral was a fraudulent conveyance or held it unenforceable for any other reason, the court could hold that the payment obligations under the Notes or such Guarantee are ineffective, or require the Noteholders to repay any amounts received with respect to the Notes funded by any payments on the Notes that are guaranteed by such Guarantee or secured by such Collateral. In the event of a finding that a fraudulent conveyance occurred in respect of the Guarantee or the Collateral, the Noteholders may cease to have any indirect claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and indirectly, if applicable, of the other Guarantors under any Guarantees which have not been declared void.

Additionally, any future granting of security over the Collateral in favor of the Security Agent, including pursuant to security documents delivered after the date of the Indenture, might be voidable by the pledgor (as debtor-in-possession) or by its trustee in bankruptcy if certain events or circumstances exist or occur, including, among others, if the pledgor is insolvent at the time of granting of security, the security interest permits the Noteholders to receive, directly or indirectly, a greater recovery than if the security interest had not been given and a bankruptcy proceeding in respect of the security grantor is commenced within 90 days in certain jurisdictions following the grant of the relevant security interest, or in certain circumstances and jurisdictions, a longer period.

In addition, under the terms of the Indenture, we will be permitted in the future to incur additional indebtedness and other obligations that may share in the security interest under the Collateral securing the Notes. The granting of new security interests may require the releasing and retaking of security or otherwise create new hardening periods in certain jurisdictions. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it.

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of Notes and the Collateral will be granted subsequent to the issuance of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.

The security interests in the Collateral that will secure the obligations of the Issuer under the Notes and the obligations of the Guarantors under the Guarantees will not be granted directly to the holders of Notes but will be granted only in favor of the Security Agent. The Trustee will accede to the Intercreditor Agreement, to which, the Security Agent and representatives of the other indebtedness secured by the Collateral (including the 2025 Indenture, 2021 Indenture and the Revolving Credit Facilities Agreements) are or will be parties to the Intercreditor Agreement. Other creditors may become parties to the Intercreditor Agreement in the future. Among other things, the Intercreditor Agreement governs the enforcement of the Security Documents, the sharing in any recoveries from such enforcement and the release of the Collateral by the Security Agent. As a consequence, holders of Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Security Agent, who will follow instructions as set forth under the caption “*Description of Certain Financing Arrangements—Intercreditor Agreement.*”

The ability of the Security Agent to enforce the security interests in the Collateral is subject to mandatory provisions of the laws of the Netherlands, Germany, Jersey, Spain, Mexico, Cyprus, Hungary, Australia, England and Wales, Delaware and Michigan and each other jurisdiction in which security over Collateral is taken. In several jurisdictions, including Germany, certain types of security are accessory (*akzessorisch*) to the obligations they secure and, therefore, the security interests may only be constituted for the benefit of the creditors of the secured obligations. In order to grant pledges over the Collateral to the Security Agent under German law (and any other applicable law with similar requirements), it is necessary that the Security Agent holds its own so called “Parallel Debt” claim.

The Indenture and the Intercreditor Agreement will provide for the creation of such Parallel Debt claim in favor of the Security Agent mirroring the obligations of the Issuer and the Guarantors under the Indenture, the Notes and the Guarantees (the “**Principal Obligations**”). Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the Parallel Debt, a claim against the Issuer and the Guarantors for the full principal amount of the Notes, Noteholders bear some risks associated with a possible insolvency or bankruptcy of the Security Agent. In addition, there is no assurance that such a structure will be effective before courts in the governing law jurisdictions of the Security Documents as there are no published court decisions or other guidance as to its efficacy, and therefore the ability of the Security Agent to enforce the Collateral may be restricted. To the extent that the security interests in the Collateral created under the Parallel Debt construct are successfully challenged by other parties, the Noteholders will not receive any proceeds from an enforcement of such security interests. See “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*”

Under the terms of the Intercreditor Agreement, holders of the Notes will not control certain decisions relating to the Collateral.

On the Issue Date, the Trustee will accede to the Intercreditor Agreement. Other creditors may become parties to the Intercreditor Agreement in the future, to which the applicable agents and lenders in respect of the Revolving Credit Facilities Agreements, the Security Agent, the trustee under the 2025 Indenture, the 2021 Indenture, and representatives of the other senior debt secured by the Collateral are or will be parties. As of the Issue Date, the Senior Creditors (as defined in the Intercreditor Agreement) will include creditors under the Revolving Credit Facilities Agreements and holders of the Notes, the 2025 Notes and the 2021 Notes. Among other things, the Intercreditor Agreement governs the enforcement of the Security Documents, the sharing in any recoveries from such enforcement among such creditors and the release of the Collateral by the Security Agent. Each holder of Notes, by accepting a Note, will be deemed to have agreed to and be bound by the terms of the Intercreditor Agreement.

The Security Agent is not required to take enforcement action unless instructed to do so by an Instructing Group that consists of the holders of the aggregate principal amount of the then outstanding Notes, creditors in respect of the Revolving Credit Facilities, creditors in respect of certain hedging obligations and creditors in respect of certain other indebtedness ranking *pari passu* with the Notes and permitted to be incurred under the Indenture (the “**Senior Credit Participations**”) which aggregate more than 50% of the total Senior Credit Participations at that time (the “**Senior Required Holders**”). The Security Agent will comply with the instructions of the Senior Required Holders provided that if on the date falling six months of the Majority Revolving Facilities Creditors (as defined below) delivering a notice of enforcement to the Security Agent, 50% or more of the total commitments under the Revolving Credit Facilities are outstanding, then the Security Agent will act on the instructions of the lenders under the Revolving Credit Facilities and in respect of certain other indebtedness in the form of a revolving credit facility ranking *pari passu* with the Notes and permitted to be incurred under the Indenture, which aggregate more than 66⅔% of the total commitments under the Revolving Credit Facilities (the “**Majority Revolving Facilities Creditors**”).

Prior to the date on which the senior liabilities have been fully and finally discharged, if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Collateral or if the Instructing Group has not given instructions to the Security Agent to enforce the Collateral, and in each case no distressed disposal has been required to be made, the Security Agent shall act on the instructions that the representative of the majority second lien creditors (the “**Second Lien Debt Representative**”) is entitled to give the Security Agent under the terms of the Intercreditor Agreement. If any creditor representative is entitled to give the Security Agent enforcement instructions and the Second Lien Debt Representative has given such instructions or indicated an intention to give such instructions, then any of the other creditor representatives may give such enforcement instructions as it sees fit and the Security Agent shall act on the first such instructions received from the relevant creditor representative.

As of March 31, 2016, after giving effect to the Offering, we would have had approximately €903.0 million in total borrowings outstanding in a combination of the Notes, the 2025 Notes, the 2021 Notes, borrowings under the Secondary Revolving Credit Facility, term loans, finance leases and

working capital loans. In addition, we expect to have undrawn capacity under the Revolving Credit Facilities. Lenders under the Revolving Credit Facilities Agreements may have interests that are different from the interests of holders of the Notes and may not agree to pursue their remedies under their indebtedness at a time when it would otherwise be advantageous for the holders of the Notes to do so. Moreover, if additional secured indebtedness were incurred or the principal amount of the Notes outstanding were to be decreased such that lenders under the Revolving Credit Facilities or other secured *pari passu* creditors, individually or collectively, were to hold more than 50.1% or more of the Secured Parties' Debt, such other creditors would have absolute control over the ability to instruct the Security Agent with respect to the enforcement of the Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

Under the terms of the Indenture, we will be permitted in the future to incur additional indebtedness and other obligations that may share in the liens on the Collateral securing the Notes and the liens on the collateral securing our other secured debt. The Collateral secures or will secure the obligations under the Notes, the 2025 Notes, the 2021 Notes and the Revolving Credit Facilities Agreements.

Further, disputes may arise among the holders of the Notes, the lenders under each of the Revolving Credit Facilities or other creditors forming part of the Instructing Group as to the appropriate manner of pursuing enforcement remedies with respect to the Collateral which may delay enforcement until agreement is reached.

Further, the holders of the Notes will not be able to effect foreclosure on such Collateral or otherwise independently pursue the remedies of a secured creditor under the relevant security documents, which may lead to delays that reduce recoveries available to holders of the Notes. In addition, the Intercreditor Agreement does not require independent valuations with respect to sales of Collateral and provides that security interests in the Collateral will be released if agreed to by the majority of senior creditors or in the event of an enforcement or certain other permitted disposals. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*" See also "*—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically, without your consent or the consent of the Trustee or the Security Agent.*"

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Guarantees will be released automatically, without your consent or the consent of the Trustee or the Security Agent.

Under various circumstances, the Collateral securing the Notes and the Guarantees will be released automatically, including:

- with respect to a Guarantor, upon the release of such Guarantor's Guarantee as described in "*Description of Notes—Guarantees—Release of the Guarantees;*"
- in a transaction that complies with the provisions described in "*Description of Notes—Certain Covenants—Merger, Consolidation or Sale of Assets;*"
- upon the legal defeasance, covenant defeasance, satisfaction or discharge of the Notes as provided in "*Description of Notes—Defeasance*" or "*Description of Notes—Satisfaction and Discharge,*" in each case, in accordance with the terms and conditions of the Indenture;
- in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets (including Capital Stock of Subsidiaries) to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition is not prohibited by, or does not otherwise violate, the "*Asset Sale*" provisions of the Indenture;
- in connection with an enforcement sale pursuant to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for in the Intercreditor Agreement or any Additional Intercreditor Agreements (see "*Description of Certain Financing Arrangements—Intercreditor Agreement*");
- if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of Liens on property and assets and capital stock of such Restricted Subsidiary;

- as permitted by the covenant described under “*Description of Notes—Certain Covenants—No Impairment of Security Interests;*”
- as described under “*Description of Notes—Amendments and Waivers;*” or
- the release of all Liens on the assets of Samvardhana Motherson Automotive Systems Group B.V; concurrently with or prior to and in contemplation of an IPO Debt Pushdown undertaken in compliance with the covenant described under “*Description of Notes—Certain Covenants—IPO Debt Pushdown.*”

Under various circumstances, a Guarantee of a Guarantor will be released:

- in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition is not prohibited by or does not otherwise violate the covenant described under “*Description of Notes—Certain Covenants—Limitation on Asset Sales*” of the Indenture;
- in connection with any sale or other disposition of capital stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition is not prohibited by or does not otherwise violate the covenant described under “*Description of Notes—Certain Covenants—Limitation on Asset Sales*” of the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- in connection with an enforcement sale pursuant to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for in the Intercreditor Agreement or any Additional Intercreditor Agreement (see “*Description of Certain Financing Arrangements—Intercreditor Agreement*”);
- upon a legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture that complies with the provisions under “*Description of Notes—Defeasance*” or “*Description of Notes—Satisfaction and Discharge;*”
- upon the designation by the Issuer of the Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- in the case of any Restricted Subsidiary that after the Issue Date is required to Guarantee the Notes pursuant to the covenant described under “*Description of Notes—Certain Covenants—Additional Guarantees,*” upon the release or discharge of the guarantee of Debt by such Restricted Subsidiary that resulted in the obligation to Guarantee the Notes; *provided* that no Event of Default would arise as a result and such Restricted Subsidiary does not guarantee any other Debt of the Issuer or any Guarantor;
- with respect to an entity that is not the Successor Guarantor or the surviving entity, as applicable, as a result of any transaction permitted under paragraph (2) or clauses (ii), (iii) or (iv) of paragraph (3) under the covenant described under “*Description of Notes—Certain Covenants—Merger, Consolidation or Sale of Assets*” but, in the case of a lease of all or substantially all of the Guarantor’s assets, the Guarantor will not be released from the obligation to pay the principal of, premium, if any, and interest, on the Guarantee;
- as described under “*Description of Notes—Amendments and Waivers;*” or
- upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes.

In addition, the Guarantees and Collateral will be subject to release as contemplated under the Intercreditor Agreement and the Indenture. See “*Description of Notes—Guarantees—Release of the Guarantees,*” “*Description of Notes—Security—Releases*” and “*Description of Certain Financing Arrangements—Intercreditor Agreement.*”

Upon any release of a Guarantee by a Guarantor in connection with an enforcement sale as described above, the creditors of such Guarantor would be entitled to be paid in full before any payment may be made to the holders of the equity of such Guarantor, if at all. In addition, the

Collateral available to secure the Notes could be reduced in connection with the sales of assets or otherwise, subject to the requirements of the Indenture and the other financing documents.

Your rights in the Collateral may be adversely affected by the failure to perfect security interests therein.

Under applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party or the grantor, as applicable, of the security. The liens over the Collateral may not be perfected with respect to the Notes, if we fail or are unable to take the actions necessary to perfect any of these liens. The Security Agent will not have any obligation to take any steps or actions to perfect any such liens. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified. Also, to the extent any of the Collateral has not been stamped in accordance with applicable stamp duty regulations, it may not be enforceable unless and until such regulations are satisfied.

The Security Agent will not monitor, or we may not comply with our obligations to inform the Security Agent of, any future acquisition of property and rights by us, and the necessary action may not be taken to properly perfect the security interest in such after-acquired property or rights. Such failure may result in the invalidity of the security interest in the Collateral or adversely affect the priority of the security interest in favor of holders of Notes against third parties. The Security Agent has no obligation to monitor the acquisition of additional property or rights by us or the perfection of any security interest.

SMP Automotive Interiors (Beijing) Co. Ltd. does not guarantee the Notes and Chinese law prevents the granting of a security interest by it.

The laws of certain jurisdictions, including China, Brazil, India, South Korea and Thailand restrict the ability of companies organized under the laws of such jurisdictions to provide guarantees or security of third-party debt, or prevents them from providing guarantees or security of such debt at all. As a result, our subsidiaries organized under the laws of China, Brazil, South Korea and Thailand do not guarantee, and do not provide security for, the Issuer's and the Guarantors' respective obligations under the Indenture.

SMP Automotive Interiors (Beijing) Co. Ltd. is a direct holding company subsidiary of the Issuer. While SMP Automotive Interiors (Beijing) Co. Ltd. is a restricted subsidiary for purposes of the applications of the covenants under the Indenture, it does not guarantee nor secure the Notes or the Guarantees. As the Indenture permits the Issuer and the restricted subsidiaries to freely transfer shareholdings within the restricted group, there is a risk that the Group will be reorganized by transferring shares of operating restricted subsidiaries, including subsidiaries organized in China, Brazil, India, South Korea and Thailand that currently do not guarantee or secure the Notes, but that hold material assets and contribute substantially to the Group's EBITDA, from companies that have granted guarantees and security for the benefit of the holders of the Notes, to SMP Automotive Interiors (Beijing) Co. Ltd. or similar non-Guarantor subsidiaries. While such a reorganization would not affect the validity of existing share pledges, it could remove a substantial portion of our operating assets out of the enforcement reach of such share pledges thus substantially reducing the value of the Collateral.

The value of the Collateral securing the Notes may not be sufficient to secure post-petition interest in the United States.

In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding against us in the United States, holders of Notes will only be entitled to post-petition interest under the United States Bankruptcy Code to the extent that the value of their security interest in the Collateral is greater than their pre-bankruptcy claim. Noteholders that have a security interest in Collateral with a value equal or less than their pre-bankruptcy claim will not be entitled to post-petition interest under the United States Bankruptcy Code. No appraisal of the fair market value of the Collateral has been prepared in connection with this Offering and therefore the value of the interest of holders of Notes in the Collateral may not equal or exceed the principal amount of the Notes.

If we experience a Change of Control, the Issuer may not have the ability to raise the funds necessary to repurchase the Notes as may be required under the Indenture or to meet its payment obligations under the Indenture and the Notes, and the Change of Control provisions may not protect you against certain events or transactions.

Under the terms of the Indenture, upon the occurrence of a Change of Control (as defined in the Indenture) or the sale of all or substantially all of its assets, we will be required to offer to purchase all its outstanding Notes at a purchase price equal to 101% of the aggregate principal amount thereof on the date of purchase, in addition to accrued and unpaid interest, if any, up to the purchase date. If a Change of Control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions in the Indenture, the 2025 Indenture, the 2021 Indenture, the Revolving Credit Facilities Agreements, the Intercreditor Agreement or our other existing contractual obligations would allow us to make such required repurchases. A Change of Control may result in an event of default under, or acceleration of, the Revolving Credit Facilities Agreements and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the Change of Control itself does not. The ability of the Issuer to receive cash from its subsidiaries to allow the Issuer to pay cash to the holders of Notes following the occurrence of a Change of Control may be limited by our then existing financial resources. In addition, under the terms of the Revolving Credit Facilities Agreements, under certain circumstances, we are required to repay a pro rata amount of debt under the respective Revolving Credit Facilities Agreements if we repay all or a portion of the principal under the Notes. Sufficient funds may not be available when necessary to make any required repurchases.

If an event constituting a Change of Control occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third party financing to make an offer to repurchase the Notes upon a Change of Control. We cannot assure you that we will be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the Revolving Credit Facilities Agreements. See “*Description of Notes—Certain Covenants—Change of Control.*”

The Change of Control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a Change of Control (as defined in the Indenture). Except as described under “*Description of Notes—Certain Covenants—Change of Control,*” the Indenture does not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of Change of Control in the Indenture will include a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries taken as a whole to any person. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the assets of the Issuer and its restricted subsidiaries taken as a whole. As a result, it may be unclear whether a Change of Control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

The interests of our controlling shareholders may be inconsistent with the interests of holders of Notes.

The interests of our principal shareholders, in certain circumstances, may conflict with your interests as holders of Notes. Our principal shareholders have, and will continue to have, directly or indirectly, the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve any other changes to our operations. For example, our principal shareholders could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividend distributions, in each case, so long as the

Indenture, the 2025 Indenture, the 2021 Indenture, the Revolving Credit Facilities Agreements and the Intercreditor Agreement so permit. The interests of our principal shareholders could conflict with interests of holders of Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments although such transactions might involve risks to the holders of Notes. In addition, our principal shareholders may come to own businesses that directly compete with our business.

The grant of Collateral to secure the Notes might be challenged or voidable in an insolvency proceeding.

The grant of Collateral in favor of the Security Agent may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may be otherwise set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified “clawback” period (which could be significant) following the grant.

In connection with the incurrence of future indebtedness that is permitted to share in the Collateral, and in certain other circumstances, we will be permitted to amend, restate, modify, replace or release and retake the liens on the Collateral. The granting of new security interests may in certain jurisdictions create hardening periods for security interests previously provided to secure the Notes. The applicable hardening period for these new security interests will run as from the moment each new security interest has been granted, perfected or recreated. At each time, if the security interest granted, perfected or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void and/or it may not be possible to enforce it. If the grantor of such security interest were to become subject to a bankruptcy, insolvency or winding-up proceeding after the Issue Date, any mortgage or security interest in the Collateral, delivered after the Issue Date would face a greater risk than security interests in place on the Issue Date of being avoided by the grantor or by its trustee, receiver, liquidator, administrator or similar authority, or otherwise set aside by a court, as a preference under insolvency law. To the extent that the grant of any security interest is voided, the holders of Notes would lose the benefit of the security interest. See “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*”

The insolvency laws of the Netherlands, France, Germany, Jersey, Spain, Mexico, Cyprus, Hungary, Australia, England and Wales, Delaware and Michigan and other local insolvency laws may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of Notes from recovering payments due on the Notes.

The Issuer and the Guarantors are organized under the laws of the Netherlands, France, Germany, Jersey, Spain, Mexico, Cyprus, Hungary, Australia, England and Wales, Delaware and Michigan. Consequently, in the event of a bankruptcy or insolvency of the Issuer or any of the Guarantors, insolvency proceedings with respect to the Issuer or the Guarantors would most likely be based on and governed by the insolvency laws of the jurisdiction under which the relevant entity is established. The insolvency laws of the Netherlands, France, Germany, Jersey, Spain, Mexico, Cyprus, Hungary, Australia, England and Wales, Delaware and Michigan may be less favorable to your interests as creditors than the bankruptcy laws of the United States or another jurisdiction with which you may be familiar, in particular with respect to priority of creditors, ability to obtain post-petition interest and the duration of the insolvency proceedings. The application of these laws, and any conflict between them, may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws. See also “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantors and Security Interests*” for additional information on the insolvency laws of the European Union, the Netherlands, France, Germany, Jersey, Spain, Mexico, Cyprus, Hungary, Australia and England and Wales.

You may be unable to enforce judgments obtained in U.S. courts against the Issuer and Guarantors.

The Issuer and the Guarantors (other than SMR Automotive Mirror International USA Inc., SMR Automotive Systems USA Inc., SMR Automotive Vision Systems Operations USA Inc. and SMP Automotive Systems Alabama Inc.) are companies incorporated outside the United States. Most of the

Issuer's directors and executive officers and the directors and executive officers of the Guarantors are not residents of the United States. Although the Issuer and the Guarantors have submitted to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on the Issuer's directors and executive officers or the directors or executive officers of the Guarantors. In addition, as most of the Issuer's and each Guarantor's assets and those of their respective directors and executive officers are located outside of the United States, you may be unable to enforce against them judgments obtained in the U.S. courts predicated upon civil liability provisions of the Federal securities laws of the United States. See "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*"

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our and the Issuer's ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

Many of the covenants in the Indenture will be suspended if the Notes are rated investment grade by two of Standard & Poor's Rating Services, Moody's Investor Service, Inc. and Fitch, Inc.

Many of the covenants in the Indenture will be suspended if the Notes are rated investment grade with a stable outlook by two of Standard & Poor's Rating Services, Moody's Investor Service, Inc. and Fitch, Inc. provided at such time no default under the Indenture has occurred and is continuing. There can be no assurance that the Notes will ever be rated investment grade, or if they are rated investment grade, that the Notes will maintain such ratings. If on any date following the Issue Date the Notes are assigned an investment grade rating from two of Standard & Poor's Rating Services, Moody's Investor Service, Inc. and Fitch, Inc. and no default shall have occurred and be continuing, then the following provisions of the Indenture will not apply to the Notes: "*Description of Notes—Certain Covenants—Limitation on Debt;*" "*—Limitation on Restricted Payments;*" "*—Limitation on Layered Debt;*" "*—Limitation on Transactions with Affiliates;*" "*—Limitation on Asset Sales;*" "*—Additional Guarantees;*" "*—Designation of Unrestricted and Restricted Subsidiaries;*" "*—Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries;*" and clause (c) of paragraph (1) of the covenant entitled "*—Merger, Consolidation or Sale of Assets.*"

If and while the Issuer and the Restricted Subsidiaries are not subject to these suspended covenants, the Notes will be entitled to substantially less covenant protection. In the event that the Issuer and the Restricted Subsidiaries are not subject to these suspended covenants under the Indenture for any period of time as a result of the foregoing, and on any subsequent date one or both of the rating agencies withdraw their investment grade rating or downgrade the rating assigned to the Notes below an investment grade rating, then the Issuer and the Restricted Subsidiaries will thereafter again be subject to these suspended covenants under the Indenture with respect to future events.

Notwithstanding the foregoing, in the event of any such reinstatement, no action taken or omitted to be taken by the Issuer or any Restricted Subsidiary prior to such reinstatement will give rise to a default under the Indenture with respect to the Notes, provided that: (i) with respect to any Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the "*Limitation on Restricted Payments*" covenant had been in effect prior to, but not during, the Suspension Period and (ii) all Debt incurred during the Suspension Period will be classified to have been incurred or issued pursuant to clause (c) of the definition of Permitted Debt. Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset to zero. See "*Description of Notes—Certain Covenants—Covenant Suspension.*"

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes will trade in book-entry form only, and the Notes in definitive registered form (“**Definitive Registered Notes**”), will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners of the Notes. The common depositary, or its nominee, for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to Deutsche Bank AG, London Branch, as Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants’ accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See “*Clearing And Settlement Arrangements.*”

The transferability of the Notes may be limited under applicable securities laws which may adversely affect their liquidity and value.

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or any other jurisdiction and, unless so registered, may not be offered or sold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or any other jurisdiction. See “*Notice to Investors.*” We have not agreed to or otherwise undertaken to register the Notes with the U.S. Securities and Exchange Commission (including by way of an exchange offer). It is the obligation of holders of Notes to ensure that their offers and sales of the Notes within the United States and other countries comply with applicable securities laws.

If a payment were to be made or collected through an EU Member State that has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, no person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax.

Under Council Directive 2003/48/EC on the taxation of savings income (“**Savings Directive**”), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On March 24, 2014, the Council of the EU adopted a Council Directive amending and broadening the scope of the requirements described above (the “**Amending Directive**”). Member States are required to apply these new requirements from January 1, 2017. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This

approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts), where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the EU.

For a transitional period, Austria is generally required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments at a rate of 35%. The Amending Directive referred to above will, when implemented broaden the types of payments generally subject to withholding in Austria. In Austria, no withholding tax is imposed if the recipient provides the information in accordance with the Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State or dependent or associated territory which has opted for a withholding system and as a consequence of such a system, an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the Guarantors, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to such directive.

Upon an IPO Debt Pushdown, certain Collateral will be released and the Notes and the remaining Collateral may be subject to hardening and other risks.

In connection with a Qualifying IPO (as defined under “*Description of Notes—Certain Definitions*”), the Issuer may undertake an IPO Debt Pushdown (as defined under “*Description of Notes—Certain Covenants—IPO Debt Pushdown*”) by creating a new direct subsidiary and transferring its interests in Samvardhana Motherson Peguform GmbH, SMR Jersey and SMP Ibérica to such subsidiary. Upon consummation of the IPO Debt Pushdown, such new subsidiary will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture governing the Notes, and upon such substitution, the Issuer will be released from its obligations under the Indenture governing the Notes. In connection therewith, Liens on certain Collateral securing indebtedness (including indebtedness under the Notes, the 2025 Notes, the 2021 Notes and the Revolving Credit Facilities Agreements) will be released without the consent of the holders of the Notes. The occurrence of an IPO Debt Pushdown will be subject to certain conditions precedent, including a new entity succeeding to, and being substituted for, the Issuer. The Liens on the Collateral of the Issuer securing indebtedness (including indebtedness under the Notes, the 2025 Notes, the 2021 Notes and the Revolving Credit Facilities Agreement) will be released and replaced by security over the corresponding assets of such replacement issuer. Although the share pledges granted by the Issuer will be replaced following a IPO Debt Pushdown, until such new share pledges are put in place, the holders of the Notes may not be able to enforce any relevant security interest in the respective jurisdictions of such share pledges. See “*Certain Insolvency Law Considerations and Limitations on the Enforceability of the Guarantees and Security Interests*” and “*Description of Notes—Certain Covenants—IPO Debt Pushdown*”. There is no assurance that the IPO Debt Pushdown will occur or that it will result in the outcomes described above. Further, we cannot assure you that an IPO Debt Pushdown would not result in a taxable event in applicable taxing jurisdictions.

In connection with an IPO Debt Pushdown, an IPO Debt Pushdown Entity (as defined under “*Description of Notes—IPO Debt Pushdown*”) may assume all of the Issuer’s obligations under the Notes. The domicile and the law applicable to an IPO Debt Pushdown Entity may be different than the domicile and the law applicable to the Issuer as described in this Offering Memorandum. The IPO Debt Pushdown may consequently affect the risk factors regarding the Issuer listed in this section and the information set out in various other sections of this Offering Memorandum regarding the Issuer and the law applicable to it. Prospective purchasers are urged to consult their own tax and legal advisors regarding the potential consequences of the assumption of all of the Issuer’s obligations under the Notes by an IPO Debt Pushdown Entity in case of an IPO Debt Pushdown.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes will be limited.

The Notes are new issues of securities for which there is currently no established trading market. We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among others, prevailing interest rates, our operating results and the market for similar securities. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities. Historically, the market for non-investment-grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. Any such disruption may have a negative effect on you, as a holder of Notes, regardless of our prospects and financial performance. The Joint Lead Managers have advised that they intend to make a market in the Notes after completing this Offering. However, they have no obligation to do so and may discontinue market-making activities at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the U.S. Exchange Act and other applicable laws and regulations. As a result, there may not be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your Notes at a fair value, if at all.

The Notes may not become, or remain, listed on the Irish Stock Exchange.

Although the Issuer will, under the Indenture, agree to use its commercially reasonable efforts to have the Notes listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market thereof within a reasonable period after the Issue Date and to maintain such listing as long as the Notes are outstanding, the Issuer cannot assure you that the Notes will become, or remain, listed. If the Issuer cannot maintain the listing on the Official List of the Irish Stock Exchange and the admission to trading on the Global Exchange Market or it becomes unduly burdensome to make or maintain such listing, the Issuer may cease to make or maintain such listing on the Official List of the Irish Stock Exchange, provided that it will use reasonable best efforts to obtain and maintain the listing of the Notes on another stock exchange, although there can be no assurance that the Issuer will be able to do so. Although no assurance can be made as to the liquidity of the Notes as a result of listing on the Official List of the Irish Stock Exchange or another recognized listing exchange for comparable issuers in accordance with the Indenture, failure to be approved for listing or the delisting of the Notes from the Official List of the Irish Stock Exchange or another listing exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell Notes in the secondary market.

You may face currency exchange risks by investing in the Notes.

The Notes are denominated and payable in U.S. dollars. If you measure your investment returns by reference to a currency other than U.S. dollars, investment in such Notes entails currency exchange related risks due to, among other factors, possible significant changes in the value of the U.S. dollars relative to the currency you use to measure your investment returns, caused by economic, political and other factors which affect exchange rates and over which we have no control. Depreciation of U.S. dollars against the currency by reference to which you measure your investment returns would cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure your investment returns. There may be tax consequences for you as a result of any currency exchange gains or losses resulting from your investment in the Notes. You should consult your tax advisor concerning the tax consequences to you of acquiring, holding and disposing of the Notes.

Payments made under the Guarantees may be subject to withholding tax in some jurisdictions.

Payments made under the Guarantees of certain of the Guarantors in some jurisdictions may be subject to withholding tax at applicable rates, subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

USE OF PROCEEDS

The gross proceeds from the sale of the Notes in this offering are expected to be approximately U.S.\$300.0 million. Upon the consummation of the Offering, the Issuer intends to use the gross proceeds from the issuance of the Notes, directly or indirectly through the use of intercompany loans or distributions, as set forth below. The estimated amounts set forth in the table below and in the accompanying footnotes are based on March 31, 2016 outstanding balances as adjusted to give effect to the Offering. Such amounts may differ from actual amounts at the time of consummation of the Offering depending on several factors, including differences from our estimates of fees and expenses and interests accrued between March 31, 2016 and the date of consummation of the Offering, due to the impact of accrued interest resulting from the portion of our indebtedness to be prepaid. For descriptions of our current and anticipated indebtedness following the Offering, see “*Description of Certain Financing Arrangements.*” See also “*Capitalization.*”

The following table shows the sources and uses of the funds related to the Offering.

<u>Sources of Funds</u>	<u>Amount</u>	<u>Uses of Funds</u>	<u>Amount⁽³⁾</u>
	<i>(U.S.\$ millions)</i>		
Notes offered hereby	300.0	Repayment of existing third party indebtedness ⁽²⁾⁽⁴⁾	67.0
		General Corporate purposes including to make certain capital expenditure	229.1
		Fees and expenses ⁽¹⁾	3.9
Total Sources	300.0	Total Uses	300.0

- (1) Represents estimated fees and expenses associated with the Offering, including the Joint Lead Managers’ commissions, legal and accounting expenses and other transaction costs.
- (2) These facilities are being repaid from available liquidity. However sanctioned limits would not be extinguished upon such repayment.
- (3) Euro amounts have been translated into U.S. dollars for the convenience of the reader at the exchange rate of €1 to U.S.\$1.1174 based on the European Central Bank exchange reference rate as of June 1, 2016.
- (4) The Issuer may use some or all of the net proceeds from the Notes for the full payment of the Issuer’s foreign currency loans to its lenders, some of whom include the Joint Lead Managers or their affiliates.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2016 on a historical basis and as adjusted to reflect the Offering, as if these events had occurred on March 31, 2016. The historical financial information has been derived from our Consolidated Financial Statements for the fiscal year ended March 31, 2016 and related notes included elsewhere in this Offering Memorandum.

This table should be read in conjunction with “*Use of Proceeds*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Description of Certain Financing Arrangements*” and the Financial Statements and the accompanying notes appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since March 31, 2016.

	As of March 31, 2016					
	Historical ⁽¹⁾ (€ millions)	Historical ⁽¹⁾ (U.S.\$ millions) ⁽⁷⁾	Adjustments for the Offering ⁽²⁾ (unaudited) (€ millions)	Adjustments for the Offering ⁽²⁾ (unaudited) (U.S.\$ millions)	As adjusted (unaudited) (€ millions)	As adjusted (unaudited) (U.S.\$ millions) ⁽⁷⁾
Cash and cash equivalents	192.5	215.1	205.0	229.1⁽⁷⁾	397.5	444.2
Debt						
Notes offered hereby ⁽³⁾	—	—	268.5 ⁽⁸⁾	300.0	268.5 ⁽⁸⁾	300.0
2025 Notes ⁽⁴⁾	97.9	109.4	—	—	97.9	109.4
2021 Notes ⁽⁵⁾	487.8	545.1	—	—	487.8	545.1
Existing Revolving Credit Facility—						
Ancillary Limit ⁽⁶⁾	58.0	64.8	(46.6)	(52.0) ⁽⁷⁾	11.4	12.8
Secondary Revolving Credit Facility	—	—	—	—	—	—
Term Loans	10.7	12.0	—	—	10.7	12.0
Finance Leases	13.4	15.0	—	—	13.4	15.0
Working Capital Loans ⁽⁶⁾	26.7	29.8	(13.4)	(15.0) ⁽⁷⁾	13.3	14.8
Total debt	694.5	776.1	208.5	233.0	903.0	1,009.1
Total equity	404.1	451.5	—	—	404.1	451.5
Total capitalization	1,098.6	1,227.6	208.5	233.0	1,307.1	1,460.6

- (1) All amounts reflected exclude accrued interest.
- (2) The amounts shown represent the following transactions: (i) the Offering of the Notes on the Issue Date and (ii) the use of proceeds from the Offering. See “*Use of Proceeds*.”
- (3) The Notes have been reflected in the table at their aggregate principal amount of U.S.\$300.0 million (€268.5 million) gross of debt issue costs.
- (4) The 2025 Notes have been reflected in the table at their aggregate principal amount of €100.0 million net of €2.1 million of unamortized debt issue costs.
- (5) The 2021 Notes have been reflected in the table at their aggregate principal amount of €500.0 million net of €12.2 million of unamortized debt issue costs.
- (6) These facilities are being repaid from available liquidity. However sanctioned limits would not be extinguished upon such repayment.
- (7) Euro amounts have been translated into U.S. dollars for the convenience of the reader at the exchange rate of €1 to U.S.\$1.1174 based on the European Central Bank exchange reference rate as of June 1, 2016.
- (8) U.S. amounts have been translated into euros for the convenience of the reader at the exchange rate of €1 to U.S.\$1.1174 based on the European Central Bank exchange reference rate as of June 1, 2016.

SELECTED FINANCIAL DATA

The Financial Statements of the Issuer have been prepared in accordance with EU IFRS.

During the fiscal year ended March 31, 2014, the Issuer changed its financial year from December 31 to March 31. Consequently, the financial period before this change presented as comparative financial information in the Consolidated Financial Statements comprises the fifteen month period beginning January 1, 2013 and ending March 31, 2014.

On June 13, 2014, the Issuer acquired a 98.45% shareholding of SMR from SMGH in a share exchange deal pursuant to which SMGH transferred its entire shareholding (including shares acquired on June 9, 2014 from minority shareholders) to the Issuer in exchange for 45,676 shares with nominal value of €1 each issued by the Issuer. Consequently, The Issuer became a subsidiary of SMGH. Shareholders of the Issuer have approved the allotment of shares to SMGH in their meeting dated June 13, 2014.

As this transaction was completed under “common control” as defined by IFRS, the activities of SMR have been included in the Issuer’s Consolidated Financial Statements from January 1, 2013 under the presumption that SMR has been part of the Group since its acquisition by SMGH. Consequently, the Issuer’s Consolidated Financial Statements for each of the fiscal years ended March 31, 2015 and 2016 have been prepared by consolidating the financial results of SMR for twelve months beginning April 1, 2014 and ending March 31, 2015 and for twelve months beginning April 1, 2015 and ending March 31, 2016, respectively, and corresponding results for SMR’s previous financial year were incorporated in the Issuer’s results for the fifteen month period beginning January 1, 2013 and ending March 31, 2014.

However, all the financial information in this Offering Memorandum, has been reproduced for fiscal years ended March 31, 2014, 2015 and 2016 for purposes of comparison. Information for the fiscal years ended March 31, 2015 and 2016 have been taken from the Consolidated Financial Statements and information for the fiscal year ended March 31, 2014 has been taken from the Combined Financial Statements.

In preparing the Combined Financial Statements, certain adjustments have been made to the historical income statements of SMR and SMP to reflect the unified presentation of financial statements, including certain reclassifications to (i) conform the line items of SMR’s income statement to the line items of SMP’s income statement, (ii) effect the change in SMP’s financial year from December 31 to March 31, (iii) align the accounting policies of SMR and SMP (including the conversion of SMR from IASB IFRS to EU IFRS) and (iv) reflect the application of IAS 19R (*Employee Benefits*) throughout the fiscal year ended March 31, 2014.

Prospective investors below should read the selected financial data presented below in conjunction with “*Use of Proceeds*,” “*Capitalization*” “*Summary of Historical Consolidated and Combined Financial and Other Information*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and our Financial Statements and the related notes thereto, included elsewhere in this Offering Memorandum.

Income Statement

	Fiscal year ended March 31,		
	2014 (combined)	2015 (consolidated)	2016 (consolidated)
		(€ thousands)	
Revenue	2,996,930	3,484,067	4,012,724
Changes in inventories	3,082	16,118	(7,601)
Cost of materials	(1,978,013)	(2,340,498)	(2,564,913)
Personnel expenses	(571,465)	(637,202)	(785,428)
Depreciation and amortization	(86,361)	(86,997)	(121,939)
Other operating income	66,258	78,104	43,291
Other operating expenses	(311,350)	(341,096)	(406,240)
Results from operating activities	119,081	172,496	169,894
Finance income	16,531	1,781	2,136
Finance costs	(30,496)	(41,497)	(40,507)
Finance costs (net)	(13,965)	(39,716)	(38,371)
Share of after-tax profits/(losses) of joint venture accounted for under the equity method	3,192	9,400	11,556
Share of after-tax profits/(losses) of associate accounted for under the equity method	(48)	33	(23)
Earnings before taxes	108,260	142,213	143,056
Income taxes	(28,552)	(30,202)	(29,127)
Profit/(Loss) for the year	79,708	112,011	113,929
Thereof profit/(loss) for the year attributable to:			
Equity holders of the group	62,284	94,897	97,281
Non-controlling interests ⁽¹⁾	17,424	17,114	16,648
Profit/(Loss) for the year	79,708	112,011	113,929

(1) Non-controlling interests relate to Changshu Automotive Trim Co. Ltd., which holds a 49.999% interest in our subsidiary CPAT; SMGH, which holds a 5.2% interest in SMP Deutschland and holds 5.2% in SM Real Estate GmbH; MSSL, an SMG company which holds a 49.0% interest in SMR Automotive Systems India Ltd.; Dr. Alfred R. Schefenacker, who holds 6.93% of SMR Grundbesitz GmbH and Co. KG and holds 1.55% of SMR Jersey; and Jae Seok Kim, who holds a 10.1% interest in SMR Poong Jeong Automotive Mirrors Korea Limited. In May 2016, SMR Poong Jeong Automotive Mirrors Korea Limited (name changed to SMR Automotive Modules Korea Co. Ltd. with effect from May 4, 2016) bought back 81,660 shares from its minority shareholder Mr. Jae Seok Kim. Pursuant to this transaction, this subsidiary has become a 100% subsidiary of SMR Jersey.

Balance Sheet

	As of March 31,		
	2014 (combined)	2015 (consolidated)	2016 (consolidated)
		(€ thousands)	
Total non-current assets	693,763	912,374	1,043,905
Total current assets	686,928	885,328	940,460
<i>Of which cash and cash equivalents</i>	<i>85,701</i>	<i>184,144</i>	<i>192,518</i>
Total assets	1,380,691	1,797,702	1,984,365
Liabilities			
Total non-current liabilities	398,012	612,335	689,370
<i>Of which financial liabilities</i>	<i>266,557</i>	<i>514,198</i>	<i>600,864</i>
Total current liabilities	782,650	849,965	890,853
<i>Of which financial liabilities</i>	<i>165,169</i>	<i>71,141</i>	<i>93,611</i>
Total liabilities	1,180,662	1,462,300	1,580,223
Equity			
Shareholder's Equity	151,494	267,548	333,347
Non-controlling interests	48,535	67,854	70,795
Total equity	200,029	335,402	404,142
Total equity and liabilities	1,380,691	1,797,702	1,984,365

Cash Flow Statement

	As of and for the fiscal year ended March 31,		
	2014 <i>(combined)</i>	2015 <i>(consolidated)</i>	2016 <i>(consolidated)</i>
		(€ thousands)	
Cash flow from operating activities	240,001	313,746	171,213
Cash flow from investing activities	(116,732)	(242,180)	(228,132)
Cash flow from financing activities	(95,071)	24,183	70,139
Net increase in cash and cash equivalents	28,198	95,749	13,220
Cash and cash equivalents at the beginning of the period	58,887	85,701	184,144
Variation in cash and cash equivalents from translation in foreign currencies	(1,384)	2,694	(4,846)
Cash and cash equivalents at the end of the period	85,701	184,144	192,518

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We encourage you to read the following discussion in conjunction with the section entitled "Selected Financial Data" as well as with our Financial Statements and the related notes thereto included elsewhere in this Offering Memorandum. The following discussion includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties please refer to the sections entitled "Forward-Looking Statements" and "Risk Factors."

Overview

We are a leading global tier 1 supplier of rear view vision systems and interior and exterior modules (including door panels, instrument panels and bumpers) to automotive OEMs primarily for use in the production of light vehicles. We are a member of SMG, one of the largest India-based global tier 1 automotive suppliers and subsidiary of MSSL (listed in India with a market capitalization of \$5.7 billion as of the date of this Offering Memorandum), contributing approximately 76% of MSSL's consolidated revenues for the fiscal year ended March 31, 2016. We have long-term relationships with 14 of the top 15 global OEMs by 2015 production volume and our OEM customers collectively represented over 85% of global automotive production in 2015. We currently supply our products to over 600 models and vehicle programs. In addition, we believe that we have held for the last three years leading market share in our key product segments and geographies, particularly in the premium segment (which includes brands such as Audi, BMW, Jaguar Land Rover, Porsche, Mercedes-Benz and others), on which we are especially focused. We are active across the phases of our products' lifecycles, from product conception, design, styling, prototyping and validation to the manufacture, assembly and subsequent delivery of fully-engineered assembled products. We have a presence in each major global automotive production region, with 47 production facilities spread among 16 countries and we employed over 22,000 employees as of March 31, 2016. We believe that our parent MSSL is a market leader in the Indian wiring harness space with a market share of over 65% based on management estimates.

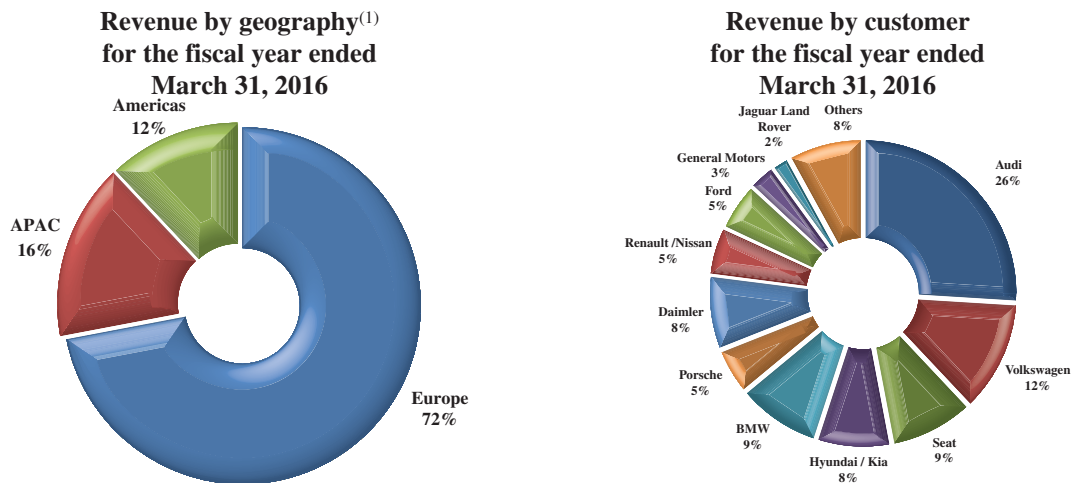
We operate our business through two main divisions:

- *SMR—Rear view vision systems:* Through our SMR division we produce a wide range of interior and exterior rear view vision systems. SMR's mirrors are engineered to optimize aerodynamic properties and integrate technologically advanced features that enhance safety, comfort and aesthetics. SMR focuses on the premium segment, with a product portfolio that covers a wide spectrum of vehicle and price segments, from low-cost mirrors to highly complex premium mirrors incorporating a variety of electronic features. SMR is a leading supplier of exterior mirrors, with a global market share of 24% by volume in 2015. From its division headquarters in Stuttgart, Germany, SMR operated 20 manufacturing facilities and two logistics centers in 14 countries across Europe, Asia and the Americas as of March 31, 2016. For the fiscal year ended March 31, 2016, SMR generated €1,395.9 million of revenue, €145.4 million of EBITDA translating into a 10.4% EBITDA margin and Adjusted EBITDA of €145.4 million translating into a 10.4% Adjusted EBITDA margin.
- *SMP—Interior and exterior modules:* Through our SMP division we produce various polymer-based interior and exterior modules, extruded and injection-molded exterior and interior components made of metal and plastic. SMP focuses on the premium segment and its product portfolio is primarily comprised of complete modules, including door panels, instrument panels and bumpers as well as other plastic components and systems, such as center consoles, decorative interior trims and plastic body parts. SMP is also one of the global leaders in plastic technologies that develop and manufacture profiles and molded parts made of thermoplastics as well as hybrid components made of metal and plastic. These products involve a complex manufacturing and assembly processes, require significant systems integration expertise and represent key comfort and aesthetic features of the vehicles in which they are integrated. SMP is a leading global supplier in a premium segment of door panels, instrument panels and bumpers, with a global market share of 27%, 10% and 18%, respectively, by volume in 2015. From its division headquarters in Bötzingen, Germany, SMP operated 27 manufacturing facilities and nine logistics centers in nine countries across Europe, Asia and the Americas as of March 31, 2016. For the fiscal year ended March 31, 2016, SMP generated €2,617.6 million of revenue and

€146.4 million of EBITDA, representing an EBITDA margin of 5.6% and Adjusted EBITDA of €168.2 million, representing Adjusted EBITDA margin of 6.4%.

The Issuer is a holding company formed by SMG on October 7, 2011 and holds equity interests in SMR and SMP, which were acquired by SMG on March 6, 2009 and November 23, 2011, respectively. SMG also acquired Scherer & Trier on January 30, 2015, which now forms part of SMP's business. We believe that SMG was the largest India-based automotive supplier by revenue in 2015 with a diversified business portfolio, including wiring harness, rear view mirrors, polymer processing and tooling, elastomer processing, machined metal components and environment management systems. SMR and SMP comprise SMG's main international operations.

In the fiscal year ended March 31, 2016, we generated €4,012.7 million of revenue and €291.8 million of EBITDA, representing an EBITDA margin of 7.3% and Adjusted EBITDA of €313.6 million, representing Adjusted EBITDA margin of 7.8%. The following diagram illustrates our revenue breakdown by region and customer for the fiscal year ended March 31, 2016.



(1) The revenue breakdown is shown by manufacturing location of our products and does not reflect OEM exports of our products.

Significant factors affecting results of operations

We believe that the following factors have significantly affected our results of operations and financial condition during the periods under review, and may continue to affect our results of operations and financial condition in the future.

Macroeconomic and market conditions affecting the automotive industry

Our revenues are primarily derived from our sales of automotive components to our global OEM customers operating in the light vehicle industry and, as a result, our operations are affected by general trends in the automotive industry. For instance, factors such as macroeconomic conditions, particularly widespread or prolonged changes in consumer confidence and spending on light vehicles affect our business and results of operations. In addition, fluctuations in interest rates, exchange rates and inflation rates may have a material effect on key aspects of our operations as well as cost of financing for the ultimate consumers of vehicles that contain our products, including the cost of our raw materials and the costs of borrowing required to fund our operations. Other key macroeconomic drivers which have historically affected the automotive industry and which can therefore impact our results of operations are increasing urbanization and industrialization (particularly in emerging economies), increasing industrial and infrastructure construction, increasing per capita disposable income in emerging economies, growing environmental awareness and demand for alternative energy.

Our business depends on the demand for light vehicles and production by our OEM customers, which, in turn, depend, to a large extent, on general economic conditions in the countries, regions and localities in which our customers operate, as well as the economic conditions that affect their customers. While we believe that our diversification across products, markets, geographies and customers reduces, in part, our sensitivity to economic cycles in certain geographies and markets, we are particularly affected by factors affecting the light vehicle industry in Europe, the Asia-Pacific

region and the Americas. In recent years, SMR has experienced significant growth in the Americas (including Mexico and the United States) driven by the economic recoveries in such markets, and SMP has experienced significant growth in Spain, Germany and China driven by an increase in customer orders. A deterioration in economic conditions in any of our key markets that is widespread, pronounced and/or long-lasting, such as the global financial crisis in 2008 and 2009, could have a significant impact on our results of operations and financial condition. For a more detailed discussion of the global automotive component industries, see “*Industry and Market Data.*”

Purchasing patterns of our significant customers and contract terms

Customer Demand and Contract Terms

The demand for our products from OEMs has a significant impact on our results of operations and new orders have been a significant driver of our growth. For instance, since 2011 we have been awarded significant new orders with various OEMs, including Daimler, BMW, Audi and Ford. Recently, we were awarded a significant order of €2.2 billion from Daimler for the North America and European markets for their new models as single largest order from any OEM. Other metrics employed by OEMs when selecting suppliers include supplier reliability, research and development capabilities, cost-competitiveness, financial stability and geographic footprint. See “*Our Business—Customers.*” Once we are awarded a contract, we typically enter into master agreements with the OEM for the supply of our products. However, consistent with the practices of the automotive component industry, the terms and conditions of our agreements with customers do not typically include a commitment by the OEMs to make minimum volumes of purchases. As a result, even after we are awarded contracts, our sales continue to be affected by the demand for our products from our customers. Given our ongoing high level of dependence on our five largest customers (Audi, Volkswagen, BMW, SEAT and Hyundai/Kia), which accounted for 63.9% of our revenues for the fiscal year ended March 31, 2016, our results of operations are particularly affected by the demand for our products from such customers. Such demand is driven by the inventory and production levels of our customers, which are affected by consumer demand for their vehicles. We are typically unable to predict when our customers will decide to either build or reduce inventory levels or whether new inventory levels will approximate historical levels. Although most of our existing customers provide us with forecasts of business volumes which enables us to plan our production and predict our income for a portion of our business, the long lead times for new automobile models and related programs for the development and manufacture of our products make it difficult to predict the timing of income that we will earn in respect of new programs. In circumstances in which the production volumes differ significantly from the original projected volumes in our contracts with our customers, such customers generally provide limited compensatory relief in the form of the acceptance of price adjustments or other similar compensation designed to offset the potential financial loss resulting from lower than forecasted volumes.

Our customer contracts usually provide for the supply of our products for a particular vehicle model and assembly plant for a specified time period, which generally ranges from five to seven years. Contracts are often subject to a mid-cycle refresh action, as is common in the case of certain products including bumper assemblies, which may range from three to four years. Our customer contracts typically provide customers with the contractual right to unilaterally terminate such contracts with no or limited notice. However, in the automotive component industry, once a project has been nominated to a preferred supplier, it is not common for an OEM to switch to another supplier, given the significant operational, technical and logistical costs of switching, particularly during any specific vehicle model’s life cycle, which typically spans several years. We are often chosen to supply the subsequent generation of a particular car model due to long development times, operational and technological expertise gained over the lifecycle of a vehicle program and the large investment required to establish the production and supply processes. Given these factors, while the actual revenues which we derive from a project ultimately depend on our OEM customers’ production volumes achieved for the respective vehicle models, we have a degree of visibility on mid-term revenues within a relatively small range of sensitivity. As of March 31, 2016 we had an Order Book of €13.5 billion, which represents the sales that we expect to record in the event we receive firm orders under contracts for vehicle programs that we have been awarded by OEMs but which are not yet in production and is comprised of both incremental and repeat business. Our Order Book is diversified across geographies and customers and we believe the potential revenue realization from these contracts positions us well for growth in the mid-term, particularly given the projected growth in global light vehicle production, including the expected recovery of volumes in Europe according to LMC

Automotive. However, the contracts comprising our Order Book contain no minimum volume purchase requirements and there can be no assurance that the assumptions we have used in calculating our expected revenue from these contracts, such as projected OEM production volumes, will be correct. See “*Presentation of Financial and Other Information—Order Book*” and “*Risk Factors—Risks Relating to Our Business—Our Order Book may not be indicative of our future revenue.*” In situations where contracts are terminated by customers, our ability to obtain compensation from our customers for such termination is generally limited to the direct out-of-pocket costs that we incurred for materials and work-in-progress and in certain instances undepreciated capital expenditures and tooling.

Product Pricing

Our OEM customers are active in competitive industries and face constant pressure to cut their selling prices and production costs. Accordingly, component pricing is one of the key metrics by which OEMs choose suppliers for their vehicle programs. As a result, we have in the past and will likely continue to experience pressure to reduce our prices. Many automotive OEMs, for example, have annual price reduction policies and objectives with their suppliers. Price reductions are typically agreed on an annual basis as part of our long-term customer contracts and can vary by market or region, taking into account the OEM’s specific economic objectives. In line with industry practice, the average effective reduction in product price agreed in this manner typically ranges from two to three percent per annum on a per-unit basis. When negotiated price reductions are expected to be retroactive, we account for such amounts as a reduction of revenues as products are shipped. During the life cycle of a contract we are typically able to achieve certain production efficiencies, which enables us to offset a portion of the effect of price reductions on our margins during the term of the contract. Certain of such pricing reductions are conditional upon achieving certain joint cost-saving targets with our OEM customers. To the extent we are not able to achieve the efficiencies necessary to offset the price reductions, such price reductions negatively impact our revenues and margins.

We expect such pricing pressure to continue in the future. Accordingly, we endeavor to continue to innovate and introduce new products and applications as well as to continue to carefully manage and reduce our operating costs in order to maintain our current margins and competitive position. For example, our purchasing teams work in close coordination with suppliers to extract discounts to reduce our purchasing cost. In addition, our engineering and manufacturing teams work on various product cost-optimization projects to reduce manufacturing costs, improve supply chain logistics and optimize the packaging of our products in order to reduce the cost per unit. Taken together these actions help to enable us to offer price reductions to our customers without affecting our margins, however there can be no assurances that we will continue to achieve sufficient cost savings in the future, which could affect our ability to offer reduced prices to our customers.

Operating Costs

Cost of Materials

Purchases of raw materials and pre-constructed components for the manufacture of our products, plus the associated manufacturing costs, account for a significant portion of our overall expenditure. During the years under review, our largest purchases of raw materials and pre-constructed components by value included actuators, wire harnesses, vision systems, resins, paint materials, electrical parts, plastic parts and aluminum dies casting components. The prices for the raw materials and pre-constructed components we use are influenced by, among other factors, changes in global economic conditions, industry cycles, demand-supply dynamics, attempts by individual producers to capture market share and market speculation. The price for each of our major raw materials has remained stable over the past three fiscal years, and our profit margins have not been materially affected by changes in commodity prices. Moreover, our contracts sometimes include a mechanism whereby we can pass through increases in the costs of raw materials to our OEM customers, helping to reduce the effect on our margins relating to volatility in the prices of our raw materials. Alternatively, we may periodically renegotiate price adjustments with our customers. For the fiscal years ended March 31, 2014, 2015 and 2016, our total cost of materials was €1,974.9 million, €2,324.4 million and €2,572.5 million, respectively, and as a percentage of revenues represented 65.9%, 66.7% and 64.1%, respectively. This variation in total cost of materials as a percentage of revenue is driven primarily by improvements to our increased vertical integration initiatives, scrap reduction, improved manufacturing efficiencies and change in product mix. For example, SMR has in-sourced various inputs previously purchased from external vendors by expanding in-house manufacturing capacities,

including the production of mirror glass in South Korea, Mexico, Thailand and India, actuators and power-fold mechanisms in South Korea, Australia and France and plastic and painted components at various plant locations globally. SMR also sources its wiring harness requirements and SMP sources tools and certain plastic parts from other SMG entities, at arm's length pricing with an improved costing structure as compared with prices previously obtained from third parties. See "*Certain Relationships and Related Party Transactions*" and "*Risk Factors—We have entered into, and will continue to enter into, related party transactions, and there can be no assurance that we could not have achieved more favorable terms had such transactions not been entered into with related parties.*" We have a broad and diversified supplier base for each of the major raw materials and pre-constructed components we purchase, and believe that we will be able to procure sufficient substitute supply in the event of a loss of one or more of our major suppliers. See "*Our Business—Supply and Sourcing of Materials.*"

Our contracts with suppliers are typically of a specified duration and subject to renegotiation upon renewal. We attempt to align our supplier requirements with the projected demand from our OEM customers, and provisions relating to volume estimates may impact our ability to effectively increase or decrease our raw material or pre-constructed component purchases in accordance with our actual production requirements under our program contracts. Consistent with the practices of the automotive component industry, the terms and conditions of our customer contracts do not typically include a commitment by the OEMs to make minimum purchase volumes, and in our supplier contracts we have significant flexibility to increase or decrease purchases from our third-party suppliers in response to customer demand.

We are typically successful in negotiating adjustments to the prices of our products to account for changes in materials costs. Such price adjustments based on cost changes occur at periodic intervals, either annually as part of our assessment of the overall economics of a particular contract, or semi-annually in the event that a specific contractual mechanism is applied to address changes in our cost structure. Accordingly, there is generally a time lag between changes in our costs and any adjustments to our prices, and we are typically compensated retroactively by our customers in the event of any such gap. In addition, due to the specialized nature of the pre-constructed components we integrate in our manufacturing process, a significant percentage of our suppliers are nominated by our OEM customers. The contracts governing our relationships with such suppliers typically allow us to pass on any raw materials price increases/decreases to the customer. Such cost pass-throughs and agreed price adjustments in our contracts with our customers, largely mitigate the effect of commodity price fluctuations. See "*Risk Factors—Risks Relating to Our Business—We depend on our suppliers, some of whom are our competitors, for the supply of raw materials and components that are critical to our manufacturing processes*" and "*—Volatility in the prices of raw materials or pre-constructed components on which we rely could adversely affect our results of operations and cash flows.*"

Personnel costs

Our aggregate personnel costs comprise our second largest cost and have a significant effect on our results of operations. Our total personnel costs generally comprise personnel costs in respect of manufacturing operations, sales and distribution, research and development and general and administrative. Personnel costs also include the cost of contract workers used in various manufacturing processes. Since our workforce requirements are ultimately dependent upon our production volumes, the use of temporary workers allows us the flexibility to expand or reduce our workforce depending upon business volume. Our temporary employees are typically employed under fixed-term contracts, generally of up to twelve months. We employ a significant number of employees based on day-to-day contracts to maintain operational flexibility. As of March 31, 2016, we had a total of 18,488 full-time employees, 1,271 part-time and temporary employees and 3,791 contract employees. See "*Our Business—Employees.*"

The following table sets forth our personnel expenses for the fiscal years ended March 31, 2014, 2015 and 2016.

	Fiscal year ended March 31,		
	2014	2015	2016
	(€ thousands)		
Wages and salaries	415,499	455,336	558,753
Paid labor rendered by third parties	81,222	102,347	129,279
Social security costs	71,827	78,062	94,995
Pension costs from defined benefit plans (service cost)	2,917	1,457	2,401
Personnel expenses	571,465	637,202	785,428
Personnel expenses as a percentage of revenue	19.1%	18.3%	19.6%

Other Operating Expenses

Other operating expenses also have a significant effect on our results of operations. Such expenses are comprised primarily of energy costs, repair and maintenance costs, rental and lease costs, freight and forwarding costs, legal and professional fees and other general administrative costs. Expenses associated with energy costs, repair and maintenance costs and freight and forwarding costs are generally variable in nature based on volumes sold, while the remainder of other operating costs are not tied to production. Increases in sales typically result in a corresponding increase in such variable costs while semi-variable/fixed costs do not increase in the same proportion, which leads to improvement in overall margin. The following table sets forth our other operating expenses for the fiscal years ended March 31, 2014, 2015 and 2016.

	Fiscal year ended March 31,		
	2014	2015	2016
	(€ thousands)		
General administrative expenses ⁽¹⁾	114,314	124,086	137,702
Energy	53,738	58,609	65,009
Repairs and Maintenance	52,204	55,672	74,835
Rent & Lease	32,518	36,010	43,462
Freight & forwarding	31,035	33,990	39,963
Bad Debt/Advances written off	730	1,160	2,734
Auditors Remuneration	4,151	4,192	5,357
Net Foreign Exchange Loss	1,132	2,273	4,746
Legal & professional expenses	21,528	25,104	32,432
Other operating expenses	311,350	341,096	406,240
Other operating expenses as a percentage of revenue	10.4%	9.8%	10.1%

(1) Amounts reflected include a business interruption expense of €8.6 million in the fiscal year ended March 31, 2016, €15.2 million in the fiscal year ended March 31, 2015 and €15.6 million in the fiscal year ended March 31, 2014 resulting from a fire at SMP's plant in Polinyà, Spain. See "Risk Factors—Natural or man-made disasters and other events outside our control, and the ineffective management of the effects of such events, may affect our business" and the Financial Statements included elsewhere in this Offering Memorandum.

Expansion of Operational Footprint and Capital Expenditures

We have expanded our global footprint significantly over the three years ended March 31, 2016 and such expansion has affected our results of operations, including the depreciation and amortization we incur each year as a result of the significant capital expenditures we have incurred in relation to such expansion. Such capital expenditures primarily relate to the building of new manufacturing plants or the increasing of capacity in existing plants in response to new orders from our customers. Our growth strategy includes expanding our operations in line with our customers' growth in emerging markets, and we continuously assess the need for new plants or the expansion of existing facilities to match increasing customer orders. In the last three fiscal years, we incurred significant capital expenditures in expanding our footprint and enhancing our existing capacities. SMR established new facilities in Brazil, Thailand, Hungary, India, the United States and China, and expanded capacity in Mexico and Spain. In the fiscal year ended March 31, 2016, SMR also completed construction of a new plant in the United States to meet increasing customer orders. After our acquisition of SMP, we made

significant capital expenditures related to Greenfield projects in Germany, Mexico and China, the replacement of paint facilities in Germany and Spain and capacity expansions in Germany. In the fiscal year ended March 31, 2016, SMP started construction of two greenfield plants in Tuscaloosa, U.S. and Kecskemét in Hungary. The establishment period for new manufacturing facilities typically ranges between 12 and 24 months, and our capital expenditure is used primarily for investments in property, plant and equipment associated with the construction and equipment of new manufacturing facilities. Once the construction of a manufacturing facility is completed, the output of that facility generally increases over time, with the aim of keeping pace with customer's production ramp-up schedules. In addition, capitalized development expenses begin to be amortized, typically on a straight-line basis over the estimated useful life of the related project.

We also typically commit to significant capital expenditure on behalf of our customers at the outset of the contract. Such capital expenditures primarily relate to the creation of additional capacity, purchases of equipment, modification of infrastructure and design of processes. When next programs or vehicle models are required, usually at the end of a vehicle cycle, "renewal" or "replacement" capital expenditure is also required in order to adapt existing infrastructure to accommodate new assembly and process design, usually at levels significantly below the expenditure required to create the capacity in the first place. Once a project is ongoing, maintenance capital expenditure is limited and somewhat predictable.

Capital expenditure incurred for the fiscal years ended March 31, 2014, 2015 and 2016 were €124.4 million, €217.7 million and €231.4 million, respectively. See "*—Capital Expenditure.*" The non-maintenance capital expenditure is expected to be incurred to enable us to expand our global footprint further in line with our customers' expansion. For instance, we expect such capital expenditures will be used towards our new plants that are currently under construction in the China, U.S., Hungary and Mexico. Expected future maintenance and improvement capital expenditures relate to the improvement of our various plants to meet stringent quality expectations from customers, improve productivity and efficiency.

Explanation of income statement items

Revenue

Revenue is measured at the fair value of the consideration received and represents the amounts received or receivable for the goods and services provided in the normal course of business, net of discounts, value added tax and other recoverable sales-related taxes. Revenue includes revenue on sales of products and ordinary revenue from the provision of services, as well as revenue from our module assembly business, which entails the assembly and sequencing of cockpits from largely OEM-directed and purchased components.

Cost of materials

Our total cost of materials includes purchases of raw materials, purchases of goods and tools for resale, discounts for prompt payment, purchase returns and similar transactions, volume discounts, changes in inventories, consumption of other supplies and purchase of pre-constructed components.

Personnel expenses

Our personnel expenses include wages, salaries and similar expenses, paid labor rendered by third parties, employer's social security contributions and other welfare expenses. Personnel expenses are primarily driven by the size of our operations, our geographical reach and customer requirements.

Other operating income

Other operating income primarily consists of income from development work and other recoveries from customers, income from derecognition of liabilities, recovery of proceeds from insurance claims, rental income, royalty income, gains on reversal of bad debt allowance, subsidies or income from investment grants and gains from the sale of property, plant and equipment and intangible assets.

Other operating expenses

Other operating expenses primarily consists of general administrative expenses, energy costs, repair and maintenance costs, rental and lease costs, freight and forwarding costs, bad debt and advances written off, auditors remuneration, net foreign exchange loss and legal and professional fees.

Depreciation and amortization

Refers to the amount recognized in our income statement under this concept reflecting the amortized value of the tangible and intangible assets on a straight-line basis over the estimated useful life of the asset.

Finance income/(cost)

Net finance income/(cost) primarily consists of interest income, return on plan assets under defined benefit obligations and foreign exchange gain. Finance cost consists primarily of interest expense on borrowings, finance leases and defined benefit obligations as well as foreign exchange losses on long-term loans.

Income taxes

Income tax represents the sum of tax currently payable and deferred tax under the laws of each jurisdiction in which we do business.

Results of operations

The following table sets forth certain of our historical revenue and expense items for the periods indicated below.

	Fiscal year ended March 31,		
	2014	2015	2016
		(€ thousands)	
Revenue	2,996,930	3,484,067	4,012,724
Changes in inventories	3,082	16,118	(7,601)
Cost of materials	(1,978,013)	(2,340,498)	(2,564,913)
Personnel expenses	(571,465)	(637,202)	(785,428)
Depreciation and amortization	(86,361)	(86,997)	(121,939)
Other operating income	66,258	78,104	43,291
Other operating expenses	(311,350)	(341,096)	(406,240)
Results from operating activities	119,081	172,496	169,894
Finance income	16,531	1,781	2,136
Finance costs	(30,496)	(41,497)	(40,507)
Finance costs (net)	(13,965)	(39,716)	(38,371)
Share of after-tax profits/(losses) of joint venture accounted for under the equity method	3,192	9,400	11,556
Share of after-tax profits/(losses) of associate accounted for under the equity method	(48)	33	(23)
Earnings before taxes (EBT)	108,260	142,213	143,056
Income taxes	(28,552)	(30,202)	(29,127)
Profit/(Loss) for the year	79,708	112,011	113,929
Thereof profit/(loss) for the year attributable to:			
Equity holders of the group	62,284	94,897	97,281
Non-controlling interests ⁽¹⁾	17,424	17,114	16,648
Profit/(Loss) for the year	79,708	112,011	113,929

(1) Non-controlling interests relate to Changshu Automotive Trim Co. Ltd., which holds a 49.999% interest in our subsidiary CPAT; SMGH, which holds a 5.2% interest in SMP Deutschland and holds 5.2% in SM Real Estate GmbH; MSSL, an SMG company which holds a 49.0% interest in SMR Automotive Systems India Ltd.; Dr. Alfred R. Schefenacker, who holds 6.93% of SMR Grundbesitz GmbH and Co. KG and holds 1.55% of SMR Jersey; and Jae Seok Kim, who holds a 10.1% interest in SMR Poong Jeong Automotive Mirrors Korea Limited. In May 2016, SMR Poong Jeong Automotive Mirrors Korea Limited (name changed to SMR Automotive Modules Korea Co. Ltd. with effect from May 4, 2016) bought back 81,660 shares from its minority shareholder Mr. Jae Seok Kim. Pursuant to this transaction, this subsidiary has become a 100% subsidiary of SMR Jersey. See “Summary—Corporate Structure and Certain Financing Arrangements.”

Comparison of results of operations for the fiscal years ended March 31, 2015 and 2016

Revenue

The following table presents our revenue by division and revenue by geographic region for the periods indicated.

	Fiscal year ended March 31,	
	2015	2016
	(€ thousands)	
Revenue by division⁽¹⁾		
SMR	1,238,326	1,395,852
SMP	2,246,068	2,617,562
Total revenue	<u>3,484,067</u>	<u>4,012,724</u>
Revenue by geography⁽²⁾		
Europe	2,449,631	2,898,153
Asia Pacific	627,122	640,422
Americas	407,314	474,149
Total revenue	<u>3,484,067</u>	<u>4,012,724</u>

(1) The revenue amounts are reflected net of intercompany revenue between SMR and SMP of €0.3 million and €0.7 million for the fiscal years ended March 31, 2015 and 2016, respectively. The revenue amounts of SMR and SMP individually are reflected gross of intercompany revenue between SMR and SMP.

(2) The revenue breakdown is shown by manufacturing location of our products and does not reflect OEM exports of our products.

Revenue increased by €528.6 million, or 15.2%, to €4,012.7 million for the fiscal year ended March 31, 2016, from €3,484.1 million for the fiscal year ended March 31, 2015, primarily due to increased sales of our products at both SMR and SMP.

Revenue in SMR increased by €157.6 million, or 12.7%, to €1,395.9 million for the fiscal year ended March 31, 2016, from €1,238.3 million for the fiscal year ended March 31, 2015, primarily due to strong market demand in the U.S., Mexico and Spain. Revenue in SMP increased by €371.5 million, or 16.5%, to €2,617.6 million for the fiscal year ended March 31, 2016, from €2,246.1 million for the fiscal year ended March 31, 2015, primarily due to increased production volumes from the ramp up of SMP's plant at Schierling, Germany as well as contribution to sales from SMIA, which was acquired on January 30, 2015.

Revenue in Europe increased by €448.6 million, or 18.3%, to €2,898.2 million for the fiscal year ended March 31, 2016, from €2,449.6 million for the fiscal year ended March 31, 2015, primarily due to increased production volumes from the ramp up of SMP's plant at Schierling, Germany, higher engineering revenues due to launch of new projects for our OEMs, SMIA's contribution to sales and increased demand from German OEMs. Revenue in Asia Pacific increased by €13.3 million, or 2.1%, to €640.4 million for the fiscal year ended March 31, 2016, from €627.1 million for the fiscal year ended March 31, 2015. Revenue in the Americas increased by €66.8 million, or 16.4%, to €474.1 million for the fiscal year ended March 31, 2016, from €407.2 million for the fiscal year ended March 31, 2015, primarily due to strong demand from the U.S. and Mexican market.

Cost of materials

Total cost of materials increased by €248.1 million, or 10.7%, to €2,572.5 million for the fiscal year ended March 31, 2016 from €2,324.4 million for the fiscal year ended March 31, 2015, primarily due to increased production volumes. As percentage of revenue, the total cost of materials decreased from 66.7% for the fiscal year ended March 31, 2015 to 64.1% for the fiscal year March 31, 2016, primarily due to scrap reduction, improved manufacturing efficiencies and change in product mix.

Personnel expenses

Personnel expenses increased by €148.2 million, or 23.3%, to €785.4 million for the fiscal year ended March 31, 2016 from €637.2 million for the fiscal year ended March 31, 2015. This increase was

primarily due to personnel expenses related to increased capacity and production levels at our facilities and new greenfield plants during their construction phase. As a percentage of revenue, personnel expenses increased from 18.3% for the fiscal year ended March 31, 2015 to 19.6% for the fiscal year ended March 31, 2016.

Depreciation and amortization

Depreciation and amortization increased by €34.9 million, or 40.1%, to €121.9 million for the fiscal year ended March 31, 2016 from €87.0 million for the fiscal year ended March 31, 2015 primarily due to capitalization of new plants which started their commercial production during the fiscal year ended March 31, 2016. Depreciation and amortization for the year ended March 31, 2016 includes an impairment of €18.6 million accrued to match the carrying value of net fixed assets to discounted future cash flows for SMP's operations in Brazil. This was primarily due to slow-down in economic conditions in Brazil.

Other operating income

Other operating income decreased by €34.8 million, or 44.6%, to €43.3 million for the fiscal year ended March 31, 2016 from €78.1 million for the fiscal year ended March 31, 2015. Other Operating income for the fiscal year ended March 31, 2015 had one time effect of €13.3 million representing negative goodwill due to the acquisition of assets of SMIA. Other operating income also included €9.2 million for the fiscal year ended March 31, 2016 and €20.5 million for the fiscal year ended March 31, 2015, respectively, from the settlement of insurance claims for a fire at SMP's Polinya plant in Spain.

Other operating expenses

Other operating expenses increased by €65.1 million, or 19.1%, to €406.2 million for the fiscal year ended March 31, 2016 from €341.1 million for the fiscal year ended March 31, 2015. Other operating expenses for the fiscal year ended March 31, 2016 included business interruption expenses of €8.6 million and €15.2 million for the fiscal year ended March 31, 2015 relating to a fire at SMP's Polinya plant in Spain for which we recorded other operating income of an insurance claim for €9.2 million for the fiscal year ended March 31, 2016 and €20.5 million for the fiscal year ended March 31, 2015. As a percentage of revenue, other operating expenses increased to 10.1% for the fiscal year ended March 31, 2016 from 9.8% for the fiscal year ended March 31, 2015. This increase is primarily due to increases in costs of energy by €6.4 million, repair and maintenance by €19.2 million, freight and forwarding by €6.0 million and other costs incurred to set up new facilities for future growth.

Finance income

Finance income increased by €0.3 million to €2.1 million for the fiscal year ended March 31, 2016 from €1.8 million for the fiscal year ended March 31, 2015. Finance income for the fiscal year ended March 31, 2016 and March 31, 2015 primarily consisted of interest income on plan assets under our pension plans.

Finance costs

Finance costs decreased by €1.0 million, or 2.4%, to €40.5 million for the fiscal year ended March 31, 2016 from €41.5 million for the fiscal year ended March 31, 2015. This decrease is primarily due to efficient management of working capital and improved interest costs on our borrowing instruments.

Income taxes

Income taxes decreased by €1.1 million, or 3.6%, to €29.1 million for the fiscal year ended March 31, 2016 from €30.2 million for the fiscal year ended March 31, 2015. Current income tax expense for the fiscal year ended March 31, 2016 increased by €11.6 million from €38.7 million for the fiscal year ended March 31, 2015 to €50.3 million for the fiscal year ended March 31, 2016. This increase in income tax expense was primarily due to improved profitability across our business, which was partially offset by recognition of additional deferred tax asset on carried forward tax losses of €12.7 million during the fiscal year ended March 31, 2016. Our effective tax rate was stable in the fiscal year ended March 31, 2016 as compared to the fiscal year ended March 31, 2015.

Comparison of results of operations for the fiscal years ended March 31, 2014 and 2015

Revenue

The following table presents our revenue by division and revenue by geographic region for the periods indicated.

	Fiscal year ended March 31,	
	2014	2015
	(<i>€ thousands</i>)	
Revenue by division⁽¹⁾		
SMR	1,082,140	1,238,326
SMP	1,915,867	2,246,068
Total revenue	2,996,930	3,484,067
Revenue by geography⁽²⁾		
Europe	2,073,911	2,449,631
Asia Pacific	562,740	627,122
Americas	360,279	407,314
Total revenue	2,996,930	3,484,067

(1) The revenue amounts are reflected net of intercompany revenue between SMR and SMP of €1.1 million and €0.3 million for the fiscal years ended March 31, 2014 and 2015, respectively. The revenue amounts of SMR and SMP individually are reflected gross of intercompany revenue between SMR and SMP.

(2) The revenue breakdown is shown by manufacturing location of our products and does not reflect OEM exports of our products.

Revenue increased by €487.2 million, or 16.3%, to €3,484.1 million for the fiscal year ended March 31, 2015, from €2,996.9 million for the fiscal year ended March 31, 2014, primarily due to increased sales of our products at both SMR and SMP.

Revenue in SMR increased by €156.2 million, or 14.4%, to €1,238.3 million for the fiscal year ended March 31, 2015, from €1,082.1 million for the fiscal year ended March 31, 2014, primarily due to a strong market recovery in the North American market, an increase in revenues from a new plant in Brazil and increased sales in Spain, South Korea and China. Revenue in SMP increased by €330.2 million, or 17.2%, to €2,246.1 million for the fiscal year ended March 31, 2015, from €1,915.9 million for the fiscal year ended March 31, 2014, primarily due to strong demand from the Spanish market, increased revenues from German OEMs, higher engineering revenues for new projects, revenues from a new plant at Schierling, Germany and revenues for two months of the newly acquired business of SMIA.

Revenue in Europe increased by €375.7 million, or 18.1%, to €2,449.6 million for the fiscal year ended March 31, 2015, from €2,073.9 million for the fiscal year ended March 31, 2014, primarily due to the commencement of operations at a new plant in Schierling, Germany for SMP, recovery in the Spain market and higher engineering sales. Revenue in Asia increased by €64.4 million, or 11.4%, to €627.1 million for the fiscal year ended March 31, 2015, from €562.7 million for the fiscal year ended March 31, 2014, primarily due to strong sales in the South Korea and China markets. Revenue in the Americas increased by €47.0 million, or 13.0%, to €407.3 million for the fiscal year ended March 31, 2015, from €360.3 million for the fiscal year ended March 31, 2014, primarily due to strong market recovery in the North American market and higher revenues from Mexico, partly offset by lower sales in Brazil.

Cost of materials

Total cost of materials increased by €349.5 million, or 17.7%, to €2,324.4 million for the fiscal year ended March 31, 2015 from €1,974.9 million for the fiscal year ended March 31, 2014, primarily due to increased orders. As percentage of revenue, the total cost of materials increased from 65.9% for the fiscal year ended March 31, 2014 to 66.7% for the fiscal year ended March 31, 2015, primarily due to higher engineering costs coupled with costs associated with a change in the product mix.

Personnel expenses

Personnel expenses increased by €65.7 million, or 11.5%, to €637.2 million for the fiscal year ended March 31, 2015 from €571.5 million for the fiscal year ended March 31, 2014. Such increase was primarily due to the increase in headcount related to increased capacity and production levels and the commencement of operations at newly opened plants. As a percentage of revenue, personnel expenses decreased from 19.1% for the fiscal year ended March 31, 2014 to 18.3% for the fiscal year ended March 31, 2015, primarily due to the fixed cost nature of wages and salaries of certain personnel, such as administrative personnel, which are substantially less sensitive to increase in volume of orders.

Depreciation and amortization

Depreciation and amortization increased by €0.6 million, or 0.7%, to €87.0 million for the fiscal year ended March 31, 2015 from €86.4 million reported in the fiscal year ended March 31, 2014.

Other operating income

Other operating income increased by €11.8 million, or 17.8%, to €78.1 million for the fiscal year ended March 31, 2015 from €66.3 million for the fiscal year ended March 31, 2014, primarily due to an increase in income of €13.3 million representing negative goodwill arising due to the acquisition of assets of SMIA. Other operating income also includes €20.5 million for the fiscal year ended March 31, 2015 and €17.4 million for the fiscal year ended March 31, 2014, respectively, from settlement of insurance claims for a fire at SMP's Polinya plant in Spain.

Other operating expenses

Other operating expenses increased by €29.8 million, or 9.6%, to €341.1 million for the fiscal year ended March 31, 2015 from €311.3 million for the fiscal year ended March 31, 2014. Other operating costs for the fiscal year ended March 31, 2015 includes business interruption expenses of €15.2 million for the fiscal year ended March 31, 2015 and €15.6 million for the fiscal year ended March 31, 2014 relating to a fire at SMP's Polinya plant in Spain for which we recorded other operating income of an insurance claim for €20.5 million for the fiscal year ended March 31, 2015 and €17.4 million for the fiscal year ended March 31, 2014. As a percentage of revenue, other operating expenses decreased to 9.8% for the fiscal year ended March 31, 2015 from 10.4% for the fiscal year ended March 31, 2014.

Finance income

Finance income decreased by €14.7 million to €1.8 million for the fiscal year ended March 31, 2015 from €16.5 million for the fiscal year ended March 31, 2014. Finance income for the fiscal year ended March 31, 2015 primarily consisted of interest income on plan assets under our pension plans. Finance income for the fiscal year ended March 31, 2014 primarily consisted of foreign exchange gains amounting to €15.1 million and, to a lesser extent, interest income on plan assets under our pension plans.

Finance costs

Finance costs increased by €11.0 million, or 36.1%, to €41.5 million for the fiscal year ended March 31, 2015 from €30.5 million for the fiscal year ended March 31, 2014. This increase is primarily due to a write-off of €5.3 million towards unamortized upfront fees on various loans taken to finance the acquisition of Peguform and other loans and €1.7 million towards amortization of expenses incurred in relation to fund raising by the issuance of high yield notes.

Income taxes

Income taxes increased by €1.6 million, or 5.6%, to €30.2 million for the fiscal year ended March 31, 2015 from €28.6 million for the fiscal year ended March 31, 2014. The increase in our income taxes was primarily due to increased profitability across business. Our effective tax rate was stable in the fiscal year ended March 31, 2015 as compared to the fiscal year ended March 31, 2014.

Liquidity

Our liquidity requirements arise principally from our operating activities, capital expenditures for maintenance and expansion activities, the repayment of borrowings and debt service obligations. Our expansion plans include the ongoing expansion of existing facilities and the development of new manufacturing facilities in the United States, China, Germany, Hungary and Mexico, as well as increased vertical integration and an expanded global footprint.

Historically, our principal sources of funding have included cash from operations, short- and long-term committed and uncommitted loan facilities, overdraft facilities that are repayable on demand, cash and cash equivalents and equity and financing provided by our shareholders. See “—Existing Financing Arrangements.”

Our treasury function reviews the liquidity of our various manufacturing plants. Cash generated by our operating subsidiaries is utilized to finance growth within the operations of such subsidiary or is transferred to holding companies through the payment of dividends or repayment of intercompany loans. In most cases, we do not believe there are significant obstacles or barriers to transferring funds from our local operating subsidiaries to the Issuer that may affect our ability to meet or fulfill our financial or other obligations.

We held cash and cash equivalents of €85.7 million, €184.1 million and €192.5 million as of March 31, 2014, 2015 and 2016, respectively. Our cash and cash equivalents as of March 31, 2016 after giving pro forma effect for the Offering would have been approximately €397.5 million.

We believe that, as adjusted for the Offering, our operating cash flows, local facilities, receivables financing and the proceeds of the Notes will be sufficient to meet our requirements and commitments for at least the next twelve months. We are currently leveraged and have significant debt service obligations. Our actual financing requirements will depend on a number of factors, many of which are beyond our control. See “Risk Factors—Risks Relating to Our Indebtedness—Our substantial leverage and debt service obligations could adversely affect our business, preclude us from satisfying our obligations under the Notes.”

Existing Financing Arrangements

We have financed our working capital, acquisition and capital expenditure requirements through committed or uncommitted loan facilities that include working capital facilities at local subsidiaries, which we use primarily to finance our local inventories. In addition, our local subsidiaries are party to numerous finance lease agreements. As of March 31, 2016, we had €681.1 million outstanding under credit facilities and €13.4 million outstanding under certain finance leases.

For a brief description of our existing financing arrangements prior to and following the Offering, see “Description of Certain Financing Arrangements—Outstanding,” “—Facilities to be Prepaid on the Issue Date,” “—Facilities to be Prepaid Following the Issue Date” and “Certain Relationships and Related Party Transactions—Shareholder Loans.”

Cash flow

The following table sets forth cash flow information as of and for the fiscal years ended March 31, 2014, 2015 and 2016. For a full description of line items in our cash flow statement, see Note A.4 to our Financial Statements included elsewhere in this Offering Memorandum.

	As of and for the fiscal year ended March 31,		
	2014	2015	2016
	(€ thousands)		
Cash flow from operating activities	240,001	313,746	171,213
Cash flow from investing activities	(116,732)	(242,180)	(228,132)
Cash flow from financing activities	(95,071)	24,183	70,139
Net increase in cash and cash equivalents	28,198	95,749	13,220
Cash and cash equivalents at the beginning of the period	58,887	85,701	184,144
Variation in cash and cash equivalents from translation in foreign currencies	(1,384)	2,694	(4,846)
Cash and cash equivalents at the end of the period	85,701	184,144	192,518

Net cash generated from operating activities

Net cash generated from operating activities was €171.2 million for the fiscal year ended March 31, 2016 compared to €313.7 million for the fiscal year ended March 31, 2015. Net cash generated from operating activities before change in working capital was €284.9 million for the fiscal year ended March 31, 2016 compared to €266.1 million for the fiscal year ended March 31, 2015. This increase is primarily due to higher earnings before taxes and improved profitability of our business, which was partially offset by net cash outflow due to change in working capital of €53.5 million and income tax payments of €60.2 million during the fiscal year ended March 31, 2016.

Net cash generated from operating activities was €313.7 million for the fiscal year ended March 31, 2015 compared to €240.0 million for the fiscal year ended March 31, 2014. The increase was primarily due to increased profits. In addition, we improved our working capital position in the fiscal year ended March 31, 2015, generating cash of €86.6 million compared to €92.6 million for the fiscal year ended March 31, 2014. See “—*Working Capital*.” The increase was partially offset by an income tax payment of €38.9 million for the fiscal year ended March 31, 2015.

Net cash from investing activities

Net cash used in investing activities was €228.1 million for the fiscal year ended March 31, 2016 compared to €242.2 million for the fiscal year ended March 31, 2015. The net cash outflow from investing activities for the fiscal year ended March 31, 2016 was primarily due to purchase of new property, plant and equipment (including prepayments) and intangible assets amounting to €240.7 million. This was primarily incurred to setup new plants in Germany, Mexico, the U.S., Hungary and China.

Net cash used in investing activities was €242.2 million for the fiscal year ended March 31, 2015, compared to €116.7 million for the fiscal year ended March 31, 2014. The net cash outflow from investing activities for the fiscal year ended March 31, 2015 was primarily due to purchase of new property, plant and equipment (including prepayments) and intangible assets amounting to €183.5 million primarily capital expenditure on new plants in Germany, Mexico, Spain and the U.S. and acquisitions of minority shareholdings of €28.9 million and of SMIA for a gross consideration of €35.8 million.

Net cash from financing activities

Net cash from financing activities was an inflow of €70.1 million for the fiscal year ended March 31, 2016, compared to an inflow of €24.2 million for the fiscal year ended March 31, 2015. The increase in net cash from financing activities was primarily due to the proceeds from 2025 Notes of €100.0 million. The increase in net cash generated in financing activities was partially offset by payment of interest amounting to €29.1 million.

Net cash from financing activities was an inflow of €24.2 million for the fiscal year ended March 31, 2015, compared to an outflow of €95.1 million for the fiscal year ended March 31, 2014. The increase in net cash from financing activities was primarily due to proceeds from secured bonds of €485.5 million (net of expenses) and utilization of revolving credit facilities and other loans in the amount of €75.9 million. The increase in net cash generated in financing activities was partially offset by repayment of certain existing third party indebtedness in the amount of €428.0 million and repayment of shareholder loans in the amount of €68.3 million.

For a more detailed description of our recent financing activities, see “—*Existing Financing Arrangements*.”

Capital Expenditure

Our capital expenditures includes expenditure on new manufacturing plants and expansion of existing plant capacity for new production lines, maintenance capital expenditure comprising expenditures on maintenance of machinery and buildings, improvements of existing plants driven by health and safety and noise reduction concerns and replacement capital expenditure incurred when we change the engineering of our production platforms in connection with new models.

For the fiscal years ended March 31, 2014, 2015 and 2016, we made capital expenditures in the amount of €124.4 million, €217.7 million and €231.4 million, respectively. The following table provides a breakdown of our capital expenditure spend by division during the years indicated.

Division	Fiscal year ended March 31,		
	2014	2015	2016
	(€ thousands)		
SMR	51,369	54,231	74,384
SMP	73,013	163,424	157,005
Total Capital Expenditure	124,382	217,655	231,389

Capital expenditure for the fiscal year ended March 31, 2016 was €231.4 million, compared with €217.7 million in the fiscal year ended March 31, 2015, an increase of €13.7 million. Capital expenditures in the SMR division primarily related to significant capacity expansions at its plants in the U.S. and Mexico as well as the construction of a new plant at India. Capital expenditures in the SMP division primarily related to construction of new plants in Mexico, China, Germany, Hungary and the U.S. and maintenance of existing plants.

Capital expenditure for the fiscal year ended March 31, 2015 was €217.7 million, compared with €124.4 million in the fiscal year ended March 31, 2014, an increase of €93.3 million. Capital expenditures in the SMR division primarily related to construction of new plants in the expansion markets of the United States and China, investment into vertical integration for our mirror business in France, in addition to capital expenditure on new projects at existing locations. Capital expenditures in the SMP division primarily related to construction of new plants in Germany, Spain, Mexico and China and capital expenditure for maintenance of existing plants.

Over the next three years, we expect to have an average capital expenditure of approximately €250 million per year, of which we expect maintenance capital expenditures of approximately €75 million per year. The non-maintenance capital expenditures are expected to be incurred to enable us to expand our global footprint further in line with our expectations regarding the planned expansion of our customers. For instance, such capital expenditures will be used towards our new plants that are currently under construction in China, Mexico, Hungary and United States to cater to new orders. In addition, such capital expenditures relates to the improvement and renovation of our plants.

Contractual Obligations and Contingent Liabilities

The following table sets forth our remaining contractual maturity for our non-derivative financial liabilities with contractual repayment periods as of March 31, 2016 as adjusted to give effect to the Offering. The table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which we could be required to pay.

Contractual Obligations ⁽¹⁾	Payments due by period			Total
	Less Than 1 Year	1 to 5 years	More than 5 years	
	(€ thousands)			
Senior secured notes	—	—	585,723	585,723
Ancillaries under RCF ⁽²⁾	57,996	—	—	57,996
Other borrowings	28,719	6,637	2,028	37,384
Finance lease liabilities	6,897	5,542	933	13,372
Interest and finance charges	25,919	98,609	28,931	153,459
Notes offered hereby ⁽³⁾	—	—	268,480	268,480
Total	119,531	110,788	886,095	1,116,414

(1) The table does not reflect any non-recourse financing arrangements. See “Description of Certain Financing Arrangements.”

(2) Ancillaries under RCF represent committed facilities under the Existing Revolver Facilities Agreement dated June 23, 2015.

(3) The Notes at their aggregate principal amount of U.S.\$300.0 million have been translated into euros for the convenience of the reader at the exchange rate of €1 to U.S.\$1.1174 based on the European Central Bank exchange reference rate as of June 1, 2016.

Our ability to make scheduled payments of principal of, or to pay the interest on, or to refinance, our indebtedness (including the Notes), or to fund planned capital expenditure and working capital, will depend on our future performance and our ability to generate cash in the future, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors that are beyond our control, as well as to other factors discussed under “Risk Factors.”

Working Capital

	Fiscal year ended March 31,		
	2014	2015	2016
	(€ thousands)		
Change in working capital			
Increase/(Decrease) in provisions	4,219	353	5,342
(Increase)/decrease in inventories, trade receivables, and other non-investing assets			
Change in inventories	(613)	(2,952)	3,649
Change in trade receivables	6,811	(60,144)	(72,236)
Change in other assets	(6,406)	(16,826)	(19,183)
	(208)	(79,922)	(87,770)
Increase/(decrease) in trade payables and other non-investing liabilities			
Change in trade payables	46,643	133,818	23,571
Change in other liabilities	41,987	32,376	5,360
	88,630	166,194	28,931
Change in working capital	92,641	86,625	(53,497)

For the fiscal year ended March 31, 2016, our net change in working capital was an outflow of €53.5 million, which was primarily due to an increase in trade receivables of €72.2 million, which was primarily due to increased revenues for the fiscal year ended March 31, 2016. These increases were partially offset by a €23.6 million increase in trade payables which was also primarily due to an increase in orders during the fiscal year ended March 31, 2016.

For the fiscal year ended March 31, 2015, our net change in working capital totaled €86.6 million, which included a €133.8 million increase in trade payables, which was primarily due to the negotiation of more favorable payment terms with our third-party suppliers which enables us to carry our trade payables liabilities for a longer period without paying, an increase in purchases of raw materials and inventories related to increased sales volumes and capital equipments for new plants and a €32.4 million increase in other liabilities, which was primarily due to an increase in tax liabilities and customer advances. These increases were partially offset by increase in trade receivables of €60.1 million and €16.8 million in other assets.

For the fiscal year ended March 31, 2014, our net change in working capital totaled €92.6 million, which included a €46.6 million increase in trade payables, which was primarily due to the negotiation of more favorable payment terms with our third-party suppliers which enables us to carry our trade payables liabilities for a longer period without paying, an increase in purchases of raw materials and inventories related to increased sales volumes and a €42.0 million increase in other liabilities, which was primarily due to an increase in tax liabilities and customer advances.

We believe that our current working capital, together with amounts available under the Revolving Credit Facilities and the Secondary Revolving Credit Facility, would be sufficient for our current working capital requirements.

Off-Balance Sheet Arrangements

Other than our non-recourse receivables facilities, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, operating results, liquidity, capital expenditure or capital resources. See “*Description of Certain Financing Arrangements—Non-Recourse Factoring Arrangements.*”

Qualitative and Quantitative Disclosures about Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are subject to currency rate risk and interest rate risk. The financial instruments that are affected by these risks include loans, bonds and borrowing, deposits, available-for-sale investments and derivative financial instruments. We use derivative financial instruments such as foreign exchange contracts to manage our exposures to such foreign exchange fluctuations.

Interest rate risk

We have no significant interest-bearing assets, and our income and operating cash flows are therefore substantially independent of changes in market interest rates. As of March 31, 2016, out of total debt amounting to €694.5 million, a majority of our debt, totaling €621.4 million, carried fixed interest rates. We are subject to market risks due to fluctuations in interest rates primarily in relation to our debt obligations with floating interest rates. We do not actively hedge our interest rate risk.

Foreign exchange risk

We typically receive revenue in the same currency in which we incur costs in the majority of jurisdictions in which we operate. As such, we have a natural hedge against currency exchange risk. However, we face some currency exchange risk in respect of (i) our loans denominated in currencies other than the euro, in respect of which we selectively hedge currency risk, (ii) currency mismatches between our income and our expenditures, which we seek to manage by matching income currency to expenditure currency at the operating entity level, and (iii) currency translation for the purpose of preparing our Financial Statements, on account of our global operations.

Credit risk

We are subject to the risk that our counterparties under various finance and customer agreements will not meet their obligations. Our credit risk exposure relates to our operating activities and our financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. See *“Risk Factors—A decline in the financial condition of OEMs or other customers or suppliers could have a material adverse effect on our business, financial condition and results of operations.”*

In relation to credit risk arising from financing activities, we monitor the ratings, credit spreads and financial strength of our counterparties on at least a quarterly basis, and based on our on-going assessment of counterparty risk, we adjust our exposure to various counterparties. In relation to our operating activities, our net trade receivables as of March 31, 2016 was €554.9 million.

As of March 31, 2016 our total trade receivables outstanding were €563.3 million. Our provision for bad debt as of March 31, 2016 was €8.4 million, or 1.5% of outstanding accounts receivable.

Commodity price risk

While we believe our commodity price risk is low, such risk is the possibility of impact from changes in the prices of inputs, such as resins and metal parts (chiefly aluminum and zinc) which we use in the production of our products. While we seek to pass on input cost increases to our customers, we may not be able to fully achieve this in all situations or at all times or may be exposed during a time lag. See *“Risk Factors—Volatility in the prices of raw materials or pre-constructed components on which we rely could adversely affect our results of operations and cash flows.”*

Critical accounting estimates and judgments

Preparation of financial statements in accordance with IFRS requires our management to make judgments, estimates and assumptions that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. These judgments, assumptions and estimates are reflected in our accounting policies, which are more fully described in the notes to the Financial Statements, which have been included elsewhere in this Offering Memorandum.

Certain of our accounting policies are particularly important to the presentation of our financial position and results of operations and require the application of significant assumptions and estimates of our management. We refer to these accounting policies as our “critical accounting policies.” Our management uses its historical experience and analyzes the terms of existing contracts, historical cost conventions, global industry practices and information provided by outside sources, as appropriate, when forming its assumptions and estimates. Although the estimates are based upon management’s best knowledge of current events and actions, actual results may materially differ from estimates.

While we believe that all aspects of our Financial Statements should be studied and understood in assessing our current and expected financial condition and results of operations, the following critical accounting policies warrant particular attention.

Basis of Preparation

The Financial Statements of the Issuer have been prepared in accordance with EU IFRS.

During the fiscal year ended March 31, 2014, the Issuer changed its financial year from December 31 to March 31. Consequently, the financial period before this change presented as comparative financial information in the Consolidated Financial Statements comprises the fifteen month period beginning January 1, 2013 and ending March 31, 2014.

On June 13, 2014, the Issuer acquired a 98.45% shareholding of SMR from SMGH in a share exchange deal pursuant to which SMGH transferred its entire shareholding (including shares acquired on June 9, 2014 from minority shareholders) to the Issuer in exchange for 45,676 shares with nominal value of €1 each issued by the Issuer. Consequently, the Issuer became a subsidiary of SMGH. Shareholders of the Issuer have approved the allotment of shares to SMGH in their meeting dated June 13, 2014.

As this transaction was completed under “common control” as defined by IFRS, the activities of SMR have been included in the Issuer’s Consolidated Financial Statements from January 1, 2013 under the presumption that SMR has been part of the Group since its acquisition by SMGH. Consequently, the Issuer’s Consolidated Financial Statements for each of the fiscal years ended March 31, 2015 and 2016 have been prepared by consolidating the financial results of SMR for twelve months beginning April 1, 2014 and ending March 31, 2015 and for twelve months beginning April 1, 2015 and ending March 31, 2016, respectively, and corresponding results for SMR’s previous financial year were incorporated in the Issuer’s results for the fifteen month period beginning January 1, 2013 and ending March 31, 2014.

However, all the financial information in this Offering Memorandum, has been reproduced for fiscal years ended March 31, 2014, 2015 and 2016 for purposes of comparison. Information for the fiscal years ended March 31, 2015 and 2016 have been taken from the Consolidated Financial Statements and information for the fiscal year ended March 31, 2014 has been taken from the Combined Financial Statements.

In preparing the Combined Financial Statements, certain adjustments have been made to the historical income statements of SMR and SMP to reflect the unified presentation of financial statements, including certain reclassifications to (i) conform the line items of SMR’s income statement to the line items of SMP’s income statement, (ii) effect the change in SMP’s financial year from December 31 to March 31, (iii) align the accounting policies of SMR and SMP (including the conversion of SMR from IASB IFRS to EU IFRS) and (iv) reflect the application of IAS 19R (*Employee Benefits*) throughout the fiscal year ended March 31, 2014.

Recognition of income and expenses

Sales revenue and other operating income is recognized when ownership of an asset changes hands or the opportunities and risks related to the property are transferred to the customer, when the amount of the income has been determined or can be determined, and when there is sufficient likelihood that the economic benefit from the sale will flow to the Group. Sales revenue from the sale of goods is measured at the fair value of the consideration received or to be received less product returns, rebates and discounts for early payment. Revenues from the sale of services are recorded with respect to the stage of completion as of the reporting date in relation to the total service to be provided in the course of the transaction.

Operating expenses are recognized when goods or services are used or when the expense is incurred. Anticipated losses from construction contracts are directly recognized as expenses.

Interest is recognized using the effective interest method as an expense or income for the period in which it occurs. Interest payments for finance leases are calculated by breaking down the minimum lease payments into financing costs and redemption payments for the remainder of the liability and spreading the financing costs over the periods covered by the term of the leasing agreement. This allows a constant, periodic interest rate for the remainder of the liability to be calculated. Payments from operating leases are recognized over the term of the leasing agreement using a straight-line distribution in the income statement. Dividend income is recognized when the right to receive payment is established. See Note A.6.2.18 (*Recognition of income and expenses*) of our Financial Statements included elsewhere in this Offering Memorandum.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the supervisory board that makes strategic decisions. See Note A.6.2.19 (*Segment reporting*) of our Financial Statements as of and for the fiscal year ended March 31, 2016 included elsewhere in this Offering Memorandum.

Property, plant and equipment

Own assets: Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. When a major replacement is made, its cost is recognized in the carrying amount of the plant and equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Leased assets: Leasing agreements in which the Group has essentially assumed all risks and opportunities are classified as finance leases. A property acquired under finance lease needs to be capitalized at the lower of its fair value or the present value of the minimum lease payments at the beginning of the lease period. Assets acquired under finance lease is depreciated over shorter of its useful life and lease term (provided that there is no transfer of the assets at the end of the lease term) or the estimated useful life (see Note A.6.2.5.3 of our Financial Statements as of and for the fiscal year ended March 31, 2016 included elsewhere in this Offering Memorandum). Impairments are performed as necessary (see Note A.6.2.7 of our Financial Statements as of and for the fiscal year ended March 31, 2016 included elsewhere in this Offering Memorandum).

If, from an economic perspective, not all material opportunities and risks have been transferred, leasing agreements are classified as operating leases and the income and expenses derived there from are recognized in the income statement. See Note A.6.3.2 (*Property, plant and equipment*) of our Financial Statements as of and for the fiscal year ended March 31, 2016 included elsewhere in this Offering Memorandum.

Depreciation

Straight-line depreciation is applied within the Group using uniform useful lives.

<u>Useful lives</u>	<u>Years</u>
Buildings	40-50
Machinery and other technical facilities	10-15
Tooling	1-7
Other plant and office equipment	5-15

The depreciation methods, the usual useful life and the residual values are checked annually. No depreciation is charged on land.

Impairment of non-current assets

Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (see Note A.6.2.7.1 of our Financial Statements as of and for the fiscal year ended March 31, 2016 included elsewhere in this Offering Memorandum).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units), generally individual business units. Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Impairment is recognized if the carrying value of an asset or its cash-generating unit exceeds the recoverable amount. Impairments are reported in the income statement.

The Group performed reviews at the reporting date to determine whether there were indications that assets or their cash-generating units have to be impaired. The triggering event for the impairment of customer and engineering contracts is a budget that causes sales revenues from customer and engineering contracts to be reduced in the future.

The triggering event for the impairment of technology is also a budget that causes revenues to be reduced in the future or material changes in determination of royalty rate.

The triggering event for the impairment of patent and intellectual property is change in future economic benefits embodied in the asset.

As of the reporting date, no impairments have been identified on customer and engineering contracts, technology or fixed assets. See Note A.6.3.2 (*Property, plant and equipment—Depreciation*) and A.6.2.7 (*Impairment of non-current assets*) of our Financial Statements as of and for the fiscal year ended March 31, 2016 included elsewhere in this Offering Memorandum.

Investment Properties

Investment properties are stated at cost less accumulated depreciation. Transaction costs are included on initial measurement. The fair values of investment properties are disclosed in the notes. These are assessed using internationally accepted valuation methods. The fair values are calculated based on the income method and are supported by the results of the sales comparison method which compares a subject property's characteristics with those of comparable properties which have recently sold in similar transactions and uses multiples to calculate the fair value. Comparable characteristics that are used for the multiples are the construction level and the specific rent level. Depreciation is provided on investment property other than land, on a straight-line basis over the expected useful life which is 30 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the cost less accumulated depreciation at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. See Note A.6.3.3 (*Investment Properties*) of our Financial Statements as of and for the fiscal year ended March 31, 2016 included elsewhere in this Offering Memorandum.

Pension Provisions

Companies within the Group operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income.

When a settlement or a curtailment occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognized in the income statement during the period in which the settlement or curtailment occurs.

The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions after considering any legal or contractual minimum funding requirements. The minimum funding requirements stipulate a minimum amount or level of contributions that must be made to a plan over a given period and may limit the ability of the entity to reduce future contributions and considered respectively in determining the economic benefit from the plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. See Note A.6.2.14.1 (*Provisions—Pension provisions*) of our Financial Statements as of and for the fiscal year ended March 31, 2016 included elsewhere in this Offering Memorandum.

Transactions in foreign currencies

All transactions are recorded in functional currency of the principal operating environment in which each Group company operates. The functional currency of SMR and the Issuer is determined to be euro. The Financial Statements are presented in “euro,” which is the Group’s presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on this date. Differences from foreign currency transactions are reported in the income statement. Non-monetary assets and liabilities that are measured at historical cost in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on the day of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on the date on which the fair value was determined. See Note A.6.2.2 (*Currency translation*) of our Financial Statements as of and for the fiscal year ended March 31, 2016 included elsewhere in this Offering Memorandum.

Inventories

Inventories are initially measured at cost, which comprises those costs directly attributable to the production process and an appropriate share of production overheads based on normal operating capacity. This includes write-downs related to production and a reasonable proportion of the administrative and social security costs. Financing costs are not included in the acquisition or production costs. Costs for raw materials and supplies are determined using the moving weighted average prices.

In the course of the subsequent valuation, inventories are carried at the lower of the cost or net realizable value at the reporting date. The net realizable value is the estimated selling price that could be achieved in the course of normal business less estimated costs of completion and sales costs. Impairments take into account reduced market viability and excessive storage times as indicator for a reduced net realizable value. If the reasons for the impairment no longer apply, the impairments are reversed in full. See Note A.6.2.9 (*Inventories*) of our Financial Statements as of and for the fiscal year ended March 31, 2016 included elsewhere in this Offering Memorandum.

Taxes

Current taxes are those taxes foreseeably payable on a year’s taxable income in accordance with the statutory tax rates or tax rates that had been substantially adopted as of the reporting date, as well as all adjustments to payable taxes in relation to previous reporting periods.

Income taxes for the annual result reported in the income statement comprise current taxes and deferred taxes. Income taxes are recorded in the income statement unless they relate to items recognized directly in equity or in other comprehensive income. In this case, the income taxes incurred are also recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are recognized for all temporary differences between the carrying amount as per IFRS and the relevant tax assessment basis. Deferred tax liabilities are not recognized for temporary differences (“**outside-basis differences**”) if the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities for dividends from subsidiaries will be recognized if the parent company determines that the profits of the respective subsidiary will be distributed in the foreseeable future. Deferred tax assets contain tax assets that are derived from the expected utilization of unused tax losses and unused tax credits, unless it is improbable that the future taxable profits will be available against which the temporary differences can be utilized. Deferred taxes are calculated on the basis of the tax rates that are expected to apply to the period when the asset is realized and the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period in the respective country.

Provisions for tax and other purposes are recognized to accommodate the possibility that current legal or constructive obligations against third parties resulting from a past event exist, and that it is probable that an outflow of economic benefits will be required to settle the obligation, and that the amount of these obligations can be estimated reliably.

Long-term provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Short term provisions are carried at their redemption value and are not offset against receivables from reimbursements. See Note A.6.2.13 (*Income taxes*) and Note A.6.2.14.3 (*Provisions—Tax provisions and other provisions*) of our Financial Statements as of and for the fiscal year ended March 31, 2016 included elsewhere in this Offering Memorandum.

INDUSTRY AND MARKET DATA

Unless stated otherwise, the statements relating to markets and competition provided below are based on the Issuer's belief and estimates, some of which were, in turn, derived from various sources it believes to be reliable, including industry publications and from surveys conducted by third-party sources. The Issuer compiled its projections for market and competitive data beyond 2016 in part on the basis of such historical data and in part on the basis of assumptions and methodologies which it believes to be reasonable, as well as various sources it believes to be reliable such as LMC Automotive. In light of the absence of publicly available information on a significant proportion of participants in the industry, many of whom are small and/or privately owned operators, the data regarding markets sizes and projected growth rates should be viewed with caution. Additional factors, which should be considered in assessing the usefulness of the market and competitive data and, in particular, the projected growth rates, are described elsewhere in this Offering Memorandum, including those set out in the section entitled "Risk Factors."

Automotive industry landscape

The global automotive industry designs, develops, manufactures, sells and services light vehicles and heavy commercial vehicles. The light vehicle segment consists of passenger cars, vans and light trucks weighing less than six tons, while the heavy vehicle segment is generally defined as the market for vehicles weighing in excess of six tons. According to LMC Automotive, in 2015, approximately 88.7 million light vehicles were produced globally (+1.7 percent against previous year). Despite the crisis in Russia and the sharp negative impacts to the Russian automotive industry, the European countries (Western and Eastern Europe including Russia) raised its light vehicle production by 4.2% against 2014 to 21.0 million units. Therefore, the positive automotive production development in Western Europe and in the new EU countries could more than compensate the loss in Russia. Last year, the light vehicle production in Americas was characterized by the contrary development between North and South America. In 2015, in North America, the light vehicle output expanded by 3.3% to 17.5 million units, whereas in South America, it declined by 19.6% to 3.1 million units as compared to 2014. In total, 20.6 million light vehicles were produced in the Americas, a slightly decline of 0.9 percent against previous year. According to LMC Automotive, the light vehicle output in Asia Pacific region reached approximately a volume of 45.2 million units in 2015. In Asia Pacific region, this, the Chinese production grew at a rate of 4.7% from production volume of 23.7 million light vehicles in 2014.

The automotive production value chain comprises OEMs, such as Volkswagen, Daimler, Ford, Hyundai, Toyota and Renault-Nissan, and automotive part suppliers, such as us, Magna International, Faurecia, Bosch, Continental and Gestamp. The automotive part supplier industry is further segmented into three tiers. Tier 1 automotive suppliers sell their products directly to OEMs. Typically these products are larger modules or systems which integrate components, sometimes sourced from Tier 2 automotive suppliers. Tier 2 suppliers sell individual components or component groups to Tier 1 suppliers, which components or component groups in turn typically integrate individual parts produced by and purchased from Tier 3 suppliers. In general, suppliers develop components and systems on the basis of agreements with OEMs to meet their technological, economic and regulatory requirements. Replacement parts are sold via the original equipment service ("OES") channel and directly to end users in the independent aftermarket. All of our sales are to OEMs and no portion of our volume is directed to the independent aftermarket.

Automotive suppliers are typically further divided into sub-segments based on their product or systems function within the car. A typical classification of automotive suppliers by vehicle function could include the following sub-segments: powertrain, body and structural, exterior, interior, transmission and suspension. There are multiple different market leaders in the respective sub-segments.

Light vehicle market development

Automotive suppliers' revenue is primarily driven by global light vehicle production volume and the content per vehicle for the components and systems produced by such suppliers. Suppliers typically have contracts that cover the full life of a vehicle platform or model range, which usually have an average life of five to seven years. Certain components, such as bumpers and exterior lighting, may be updated part-way through the vehicle model lifecycle in what we refer to as a "mid-cycle refresh" action.

The actual production volume of a given vehicle program is rarely fixed and may vary from OEM projections depending on consumer demand. General economic conditions (e.g. GDP growth, inflation, exchange rates, fuel prices) and consumer confidence levels generally have a significant impact on vehicle demand, with both, positive and negative additional exogenic impacts resulting from changes in the regulation framework (e.g. CO2 regulation in the European Union) and government policies (such as the tax reduction for cars with engines up to 1.6l displacement in China introduced in 2015). See “*Risk Factors—Cyclical and reduced demand in the automotive industry in which we operate could affect our business*” and “*—Significant changes in laws and governmental regulations could have an adverse effect on our profitability.*”

Other specific factors that can influence automotive production include changing demographics (e.g. population growth, aging and urbanization), evolving consumer preferences, levels of consumer disposable income, replacement requirements of old vehicles and affordability. The following table shows historical and forecast light vehicle production, as well as annualized production growth rates, in key regions and select countries in which we operate for the periods presented. Both historical and forecast data is based on data published by LMC Automotive as of April 30, 2016. Actual production may differ materially from the forecasts presented below as a result of various factors, and there can be no assurance that any of these forecasts will be accurate.

	Production of light vehicles (units in millions, Calendar Years)								CAGR	
	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	13-15	15-20E
Western Europe	12.7	13.2	14.2	14.7	15.1	15.1	15.0	15.0	5.7%	1.1%
Central and Eastern Europe	6.8	6.9	6.8	6.8	7.1	7.8	8.4	8.7	(0.5%)	5.2%
Europe	19.5	20.1	21.0	21.6	22.2	22.9	23.4	23.7	3.6%	2.5%
North America	16.2	17.0	17.5	18.1	18.4	18.7	19.3	19.5	4.2%	2.1%
South America	4.5	3.8	3.1	2.6	2.8	3.0	3.1	3.4	(17.7%)	1.9%
Japan / Korea	13.7	13.8	13.3	13.1	13.0	12.7	12.7	12.8	(1.6%)	(0.7%)
Greater China	21.2	23.0	24.0	25.5	26.0	27.6	29.4	30.8	6.4%	5.1%
South Asia	8.1	7.7	7.9	8.2	8.7	9.3	10.0	10.6	(1.3%)	6.0%
Middle East / Africa	1.4	1.8	1.9	2.3	2.7	2.9	3.1	3.3	15.5%	12.3%
Total	84.7	87.2	88.7	91.4	93.6	97.0	100.9	104.1	2.3%	3.3%
Select Countries										
Germany	5.7	5.8	6.0	6.1	6.1	6.0	5.9	5.9	2.4%	(0.2%)
US	10.9	11.4	11.9	12.2	12.1	12.3	12.5	12.5	4.5%	1.0%
Mexico	2.9	3.2	3.4	3.5	4.1	4.5	4.8	5.1	8.2%	8.3%
Brazil	3.5	3.0	2.4	2.0	2.1	2.3	2.5	2.7	(17.8%)	2.4%
India	3.5	3.5	3.7	4.1	4.5	4.8	5.3	5.8	3.0%	9.0%
Russia	2.1	1.8	1.3	1.2	1.3	1.5	1.8	1.9	(20.3%)	7.3%
<i>BRIC as % of total</i>	<i>35.4%</i>	<i>35.5%</i>	<i>35.1%</i>	<i>35.6%</i>	<i>35.8%</i>	<i>37.0%</i>	<i>38.2%</i>	<i>39.2%</i>	<i>1.8%</i>	<i>5.6%</i>

Source: LMC Automotive

According to LMC Automotive, global light vehicle production is expected to grow from 88.7 million units in calendar year 2015 to 104.1 million units in 2020, representing a CAGR of 3.3%. The following is a brief description of selected historical and forecast light vehicle production in key regions in which we operate.

Europe (including Russia)

The European light vehicle production has seen gradual recovery since 2013 following general improvement of the economic situation in the Eurozone. The production volume grew to 21.0 million units in 2015 with a CAGR 2013-2015 of 3.6%. The growth in Europe has been primarily driven by Western Europe, where volumes grew at a CAGR of 5.7% from 2013 to 2015, which was primarily due to the recovery of volume in the major southern European economies, i.e. Italy, France and Spain, which grew at CAGRs of 22.9%, 6.6% and 11.8% during the period, respectively. From 2015 to 2020, Western European production volume is expected to growth at a CAGR of 1.1%.

Light vehicle production in Central and Eastern Europe dropped from 2013 through 2015 at a CAGR of 0.5%. The overall market decline was caused by deterioration of the production volumes in Russia, where the market has been hit by the deep economic recession resulted from decline in crude

oil & gas prices, devaluation of the ruble and ongoing conflict in Ukraine and subsequent sanctions. Excluding Russia, production in Central and Eastern Europe grew at a CAGR of 7.0% from 2013 and 2015, led by Hungary (29.9% CAGR), Turkey (10.3% CAGR) and Czech (8.8% CAGR). From 2015 to 2020, LMC Automotive projects strong growth at a CAGR of 5.2% for the Central and Eastern Europe region. Excluding Russia, the corresponding CAGR would be 4.7%.

North America (including Mexico)

North American light vehicle production has continued its positive trend since the 2009 financial crisis with six consecutive years of robust volume growth in 2010-2015 to 17.5 million units in 2015. From 2013 to 2015, North American production volume grew at a CAGR of 4.2%. This growth was primarily attributable to strong recovery in light vehicle sales, which benefited from strong economic conditions, high availability of financing and low fuel price.

Another key development in the North American market has been a trend towards local production by German and Asian OEMs, which established several new production sites in the Southern United States and Mexico to supply the market directly with localized car models. According to LMC Automotive, the positive trend is expected to continue through 2020 in North America, with a projected CAGR period from 2015 through 2020 of 2.1% driven by a robust development on the North American market and further green field investments of German and Asian OEMs. Mexico is expected to experience highest growth, at a CAGR of 8.3% for the same period, which is expected to be driven by several plant openings by non-U.S. OEMs in the country over the next few years and positive outlook for the Mexican economy. We believe that the restructuring of the North American automotive industry and subsequent volume recovery has resulted in fundamental improvement in OEM and supplier economics in the region.

South America

South America experienced a significant deterioration in the local automotive market from 2013 to 2015, with production volumes down from 4.5 million units to 3.1 million vehicles, representing a negative CAGR of 17.7%. This is mainly attributable to Brazil, the largest production country in the region (over 75% of total production volume in 2015), which has seen its economy to be caught in severe recession, caused by high inflation, rising interest rates and sharp devaluation of the Brazilian real. The Government's need to make savings practically ruled out the possibility of any consumer incentives. The loss in purchasing power and higher cost of borrowing affected new vehicle sales dramatically. In 2015, the market contracted to its lowest figure since 2007. The Brazilian government introduced tariffs and raised the tax on imported cars at the end of 2011, with further measures including tax breaks for OEMs if they did more engineering work in Brazil and used Brazilian automotive suppliers. These policies have led to increased localization of production by global OEMs as local production has become necessary to maintain competitive pricing. Therefore, the Brazilian light vehicle production depends almost completely on the local market.

According to LMC Automotive, light vehicle production in South America is projected to bottom out in 2016 and reach 3.4 million units by 2020, representing a CAGR of 1.9% over 2015 -2020. This is driven by expected recovery in Brazil, which is expected to see production growth at a CAGR of 2.4% over the period.

Asia-Pacific

China is the largest light vehicle production country in the world, accounting for approximately 27% of the global production in 2015. From 2013 to 2015, China was one of the fastest growing production regions globally with growth at a CAGR of 6.4% over the period. Despite the continuing slowdown of the market, China is expected to remain the key driver for global light vehicle production growth. From 2015 through 2020, production volume in China is projected to increase from 23.7 million units at a CAGR of 5.2% to 30.5 million units, accounting for approximately 44% of total expected absolute global volume increase during the period.

India, the fourth largest light vehicle production location in the Asia Pacific region, achieved a sustainable growth since 2013. The light vehicle assembly climbed in the last two years with a CAGR of 3.0% to 3.7 million units. LMC Automotive expects an acceleration of the growth trend from 2015 through 2020. The forecast shows an increase to 5.8 million light vehicles with a CAGR of 9.0%.

The light vehicle production in ASEAN countries (Indonesia, Malaysia, Philippines, Thailand and Vietnam) declined from 2013 to 2015 with a negative CAGR of 5.7%. The key markets in this region, Indonesia and Thailand, both recorded downturns since 2013. The light vehicle production dropped with a negative CAGR in this period of 2.0% and 11.5% respectively. According to LMC Automotive, the light vehicle production in ASEAN is forecasted to rebound until 2020 to 4.6 million units with a CAGR of 4.0%.

Japan and South Korea, the primary developed economies in Asia-Pacific region are experiencing a difficult environment for light vehicle production as domestic car makers transfer production overseas and the growth potential on domestic vehicle sales is limited. In Japan, production volumes declined with a negative CAGR of 2.6% during the period from 2013 through 2015. According to LMC Automotive, production volumes in Japan are expected to continue to decline at a negative CAGR of 1.1% during the period from 2015 through 2020. In South Korea, light vehicle production has experienced a nearly flat development, represented by a CAGR of 0.5% during the period from 2013 through 2015. Production is forecasted to remain even with a CAGR of 0.1% during the period from 2015 through 2020.

Market and industry trends

Key trends affecting the automotive supplier industry

Globalization of platforms

OEMs are continuing to increase the number of vehicles built on a single platform in an effort to reduce the time and resources spent on the development of new platforms. Vehicle platform-sharing allows OEMs to build a greater variety of vehicles from one basic set of engineered components, lowering overall costs by spreading development expenses over a greater number of units produced. By implementing “platform-sharing” globally, OEMs are able to realize significant economies of scale. To support this strategy, OEMs require suppliers to match the size, scale and geographic footprints of these platforms. We believe suppliers like us with a global footprint, broad product offering and the requisite manufacturing expertise are well-positioned to benefit from such platform-sharing because we are not restricted by the high barriers to entry associated with the global supply of a broad product portfolio and are able to efficiently respond to customers’ local needs. In addition, higher production volumes across fewer platforms are expected to result in cost savings for suppliers, as they further standardize and optimize their operations.

Localization of production in emerging markets

We believe increasing disposable income and low existing vehicle production, as well as the development of efficient road infrastructure, are driving the demand for light vehicles in emerging markets. As a result of increasing local demand combined with low manufacturing costs and lack of import duties for locally manufactured products, global OEMs are increasingly expanding their production and sales networks in emerging markets. This has been a particularly significant trend in the premium segment, in which OEMs such as Audi, BMW, Daimler and Jaguar Land Rover have historically exported a significant proportion of their production from Europe and North America to major emerging markets such as China and Brazil. As the premium segment in these markets is projected to continue to grow, most major global premium car makers have plans to expand their local production footprints. In China, for example, Daimler has more than doubled its local light vehicle production volume in the last two years. We believe that large-scale suppliers with strong OEM relationships and resources to invest in their global production footprint are well-positioned to realize growth opportunities in emerging markets by following their customers.

Increased outsourcing leading to a high OEM dependency on external suppliers

As OEMs focus their resources on final assembly of vehicles, they are increasingly looking to external suppliers for content they have historically produced in-house. This trend is underpinned by OEMs’ growth outside their home markets, consumer expectations with regard to product complexity and feature integration and an increased focus on safety and the environment. We believe suppliers can benefit from economies of scale derived from serving various customers on a global scale, while OEM customers may find more difficulty achieving similar cost and quality levels in-house.

The outsourcing trend has led to an increase in OEM dependency on suppliers capable of managing complex projects while maintaining high quality standards across multiple geographies. Furthermore, while know-how is still being developed by suppliers and product design is still largely controlled by OEMs, there is an increasing collaboration between OEMs and Tier 1 suppliers from a vehicle program's initial stages. These research and development partnerships between OEMs and suppliers seek to achieve long-term strategic cooperation in line with the OEMs' cost reduction initiatives.

Consolidation of supplier base

In order to take advantage of the operational economies of scale, OEMs are encouraging consolidation of their supplier base with an increased focus on large, technically and financially strong global suppliers capable of producing consistent and high-quality products across multiple production regions. The OEMs we supply use a number of factors to determine their preferred suppliers including, among other things, product quality, service (including location, service interruptions and on-time delivery), in-house research and development and technological capabilities, overall track record and quality of relationship with the OEM, production capacity, financial stability and product price.

Connectivity and autonomous driving

Intelligent connectivity and digitization, both inside and outside the vehicle, will play an ever more important role in the future. Connectivity is the name given to communication between one vehicle and another, and between a vehicle and the infrastructure, for instance with traffic lights or traffic control systems. Automated driving refers to the capability of a vehicle to drive itself at various levels of independence from the vehicle occupants to a destination in real world traffic, using its onboard sensors, and software intelligence, combined with navigation systems so that it can recognize its surroundings. For tier-1 automotive suppliers, the rapid increase in penetration of advanced driver assistance systems (e.g. lane departure warning) and introduction of semi-autonomous features (e.g. parking assist system) are providing significant growth opportunities. We believe that automotive suppliers with strong OEM relationships, significant research and development resources and systems integration capabilities could play a significant role in these new trends and the associated technologies.

Key growth trends in our product segments

Increasing safety features

Stricter legal requirements, a consumer preference for safer vehicles and increasing traffic volumes are driving the development of new features to enhance driver, passenger and pedestrian safety. Most new safety technologies are based on electronic components, in particular sensors, which typically have high value content. We believe suppliers with strong technological capabilities and expertise in electronic systems are well positioned to benefit from this trend. In addition, we believe suppliers like us with expertise in the integration of complete systems and modules will benefit from the increased use of electronic driver and pedestrian safety aids, as added electronics content can significantly increase the value of a complete module. The introduction of new safety technologies is typically led by the premium segment, but many key safety technologies are increasingly migrating into higher-volume segments.

Higher consumer expectations of interior quality, aesthetics and comfort

Interior design is generally customized for each individual model program, and represents one of the main distinctive features of the vehicle. Interior quality and comfort represent important factors that can greatly influence a consumer's vehicle selection, and are evaluated through a number of criteria such as visual ambiance, functionality, acoustics, aesthetics, new styling solutions and quality of finish. The trend towards higher consumer expectations for interior content is increasingly evident in OEMs' demands for improved fit, finish and craftsmanship in interiors across all vehicle segments. We believe that OEMs are dedicating a larger portion of total cost per vehicle to interior components as they "upscale" vehicle interiors across their entire portfolio of platforms. We believe suppliers with advanced design, materials science and manufacturing capabilities, with the ability to deliver a broad suite of interior component products at the quality levels OEMs demand, should benefit from these trends.

Furthermore, this trend has led to a recent migration of high-priced, sophisticated luxury components from premium into higher-volume segments, thus benefiting the experienced suppliers of sophisticated components to the premium segment such as us. In addition the clear trend toward the various stages of autonomously driving vehicles is starting to create a change in the future interior environment. Increasing levels of technology will be required to provide information to the vehicle occupants and support the transforming needs of the mobility experience.

Environmental initiatives

Regulatory changes and shifting consumer preferences have driven OEMs and suppliers to increase their focus on producing “environmentally friendly vehicles,” with emphases on fuel efficiency, reduced emissions and the use of sustainable materials. The increasing need for components that are lightweight and environmentally friendly will continue to provide an opportunity for differentiation as OEMs strive to reduce the ecological footprint of their vehicles. Recyclability of synthetic materials, such as plastics, has become of increasing importance amid strengthening regulatory requirements for recyclability of vehicles, in particular in Europe. This increasing trend toward environmental friendliness is driving the development of bio-based renewable materials by suppliers, which can be up to 100% recyclable. Suppliers at the forefront of recyclable and renewable materials will be well-positioned to capitalize on this growing demand. See “*Risk Factors—Our inability to identify and adapt to evolving industry trends and preferences and develop new products to meet our customers’ demands may adversely affect our business.*”

Competitive landscape

Basis for determination of market shares and forecasts

We base our estimates on the growth of the markets in which we operate and our respective market share on a combination of internal market analysis, expert interviews and, to the extent available, external empirical analyses such as LMC Automotive which allows us to also estimate our market analysis. See “*Presentation of Industry and Market Data.*”

Our competitive positioning

We are a leading Tier 1 supplier to global OEMs, with the ability to manufacture high-quality products local to our customers’ operations across multiple regions. We believe that we have a leading position in each of our products, and across the multiple regions and market segments in which we operate.

Rear-view vision systems

We hold leading global market positions across our rear view vision systems production portfolio, covering all main light vehicle segments. The table below summarizes our competitive positioning in the two main product segments in the rear-view vision systems market for the twelve months ended March 31, 2016.

<u>Product</u>	<u>Region</u>	<u>Market Share</u>
<i>Exterior rear-view mirrors</i>	Global	24%
	Europe ^(a)	39%
	China	15%
	Asia Pacific (excluding China)	24%
	North America	23%
	South America	22%
<i>Interior rear-view mirrors</i>	Global	8%

Source: LMC Automotive and Company estimates.

(a) Excludes Russia

Our focus in the exterior rear-view mirrors market has been the premium segment, including the Audi, BMW, and Porsche brands. Our main competitors in the rear view vision systems market include Magna International and Ficosa. Our main competitors in the interior rear-view mirrors market are Gentex and Magna International. See “*Risk Factors—Competition in our markets could reduce our profitability or reduce our market share.*”

Interior and exterior modules

We are primarily focused on the premium segment in our interior and exterior module activities. The table below summarizes our competitive positioning in the premium segment in our three main product segments in the interior and exterior modules market for the twelve months ended March 31, 2016.

<u>Product</u>	<u>Region</u>	<u>Market Share</u>
Bumpers ^(a)	Global	18%
	Europe ^(b)	29%
	South America	15%
Instrument panels ^(a)	Global	10%
	Europe ^(b)	16%
Door panels ^(a)	Global	27%
	Europe ^(b)	28%
	China	58%

Source: LMC Automotive and Company estimates.

(a) Premium segment only

(b) Excludes Russia

Our main competitors in the bumpers market include Magna International, Plastic Omnium and Rehau. Our main competitors in the door panels market include Faurecia, Yanfeng-Johnson Controls, IAC, Dräxlmaier and Grupo Antolín-Irausa. Our main competitors in the instrument panels market include Faurecia, Yanfeng-Johnson Controls, Dräxlmaier and IAC. See “*Risk Factors—Competition in our markets could reduce our profitability or reduce our market share.*”

OUR BUSINESS

In this Offering Memorandum, the words “we,” “us,” and “our” refer to Samvardhana Motherson Automotive Systems Group B.V. together with its subsidiaries (including SMR and SMP) on a combined basis, except where otherwise specified or clear from the context. “SMR” refers to Samvardhana Motherson Reflectec Group Holdings Limited together with its subsidiaries and “SMP” refers collectively to Samvardhana Motherson Peguform GmbH, SMP Ibérica, SMP Automotive Interiors (Beijing) Co. Ltd. and their respective subsidiaries.

Overview

We are a leading global tier 1 supplier of rear view vision systems and interior and exterior modules (including door panels, instrument panels and bumpers) to automotive OEMs primarily for use in the production of light vehicles. We are a member of SMG, one of the largest India-based global tier 1 automotive suppliers and subsidiary of MSSL (listed in India with a market capitalization of \$5.7 billion as of the date of this Offering Memorandum), contributing approximately 76% of MSSL’s consolidated revenues for the fiscal year ended March 31, 2016. We have long-term relationships with 14 of the top 15 global OEMs by 2015 production volume and our OEM customers collectively represented over 85% of global automotive production in 2015. We currently supply our products to over 600 vehicle programs and model derivatives. In addition, we believe that we have held for the last three years leading market share in our key product segments and geographies, particularly in the premium segment (which includes brands such as Audi, BMW, Jaguar Land Rover, Porsche, Mercedes-Benz and others), on which we are especially focused. We are active across the phases of our products’ lifecycles, from product conception, design, styling, prototyping and validation to the manufacture, assembly and subsequent delivery of fully-engineered assembled products. We have a presence in each major global automotive production region, with 47 production facilities spread among 16 countries and we employed over 22,000 employees as of March 31, 2016. We believe that our parent MSSL is a market leader in the Indian wiring harness space with a market share of over 65% based on management estimates.

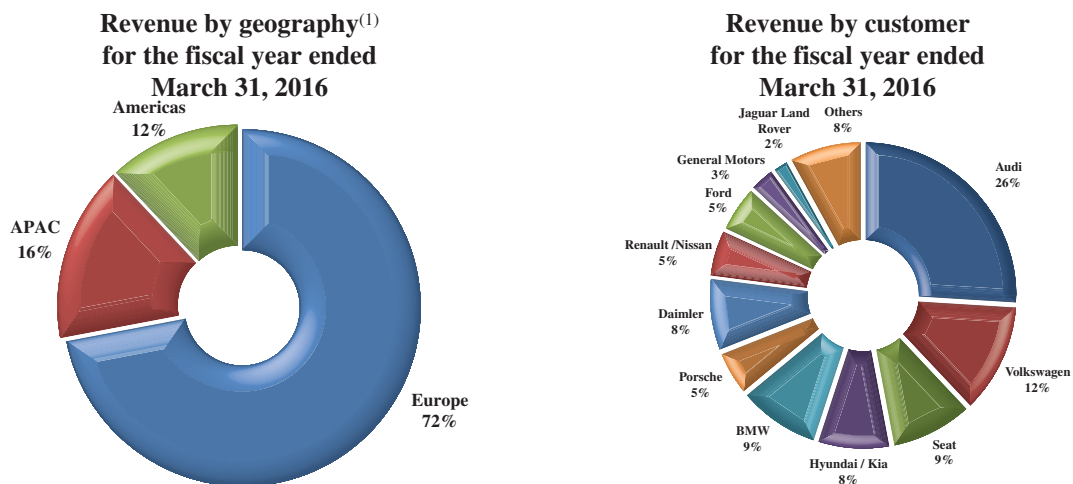
We operate our business through two main divisions:

- *SMR—Rear view vision systems:* Through our SMR division we produce a wide range of interior and exterior rear view vision systems. SMR’s mirrors are engineered to optimize aerodynamic properties and integrate technologically advanced features that enhance safety, comfort and aesthetics. SMR focuses on the premium segment, with a product portfolio that covers a wide spectrum of vehicle and price segments, from low-cost mirrors to highly complex premium mirrors incorporating a variety of electronic features. SMR is a leading supplier of exterior mirrors, with a global market share of 24% by volume in 2015. From its division headquarters in Stuttgart, Germany, SMR operated 20 manufacturing facilities and two logistics centers in 14 countries across Europe, Asia and the Americas as of March 31, 2016. For the fiscal year ended March 31, 2016, SMR generated €1,395.9 million of revenue, €145.4 million of EBITDA translating into a 10.4% EBITDA margin and Adjusted EBITDA of €145.4 million translating into a 10.4% Adjusted EBITDA margin.
- *SMP—Interior and exterior modules:* Through our SMP division we produce various polymer-based interior and exterior modules, extruded and injection-molded exterior and interior components made of metal and plastic. SMP focuses on the premium segment and its product portfolio is primarily comprised of complete modules, including door panels, instrument panels and bumpers as well as other plastic components and systems, such as center consoles, decorative interior trims and plastic body parts. SMP is also one of the global leaders in plastic technologies that develop and manufacture profiles and molded parts made of thermoplastics as well as hybrid components made of metal and plastic. These products involve a complex manufacturing and assembly processes, require significant systems integration expertise and represent key comfort and aesthetic features of the vehicles in which they are integrated. SMP is a leading global supplier in a premium segment of door panels, instrument panels and bumpers, with a global market share of 27%, 10% and 18%, respectively, by volume in 2015. From its division headquarters in Bötzingen, Germany, SMP operated 27 manufacturing facilities and nine logistics centers in nine countries across Europe, Asia and the Americas as of March 31, 2016. For the fiscal year ended March 31, 2016, SMP generated €2,617.6 million of revenue and

€146.4 million of EBITDA, representing an EBITDA margin of 5.6% and Adjusted EBITDA of €168.2 million, representing Adjusted EBITDA margin of 6.4%.

The Issuer is a holding company formed by SMG on October 7, 2011 and holds equity interests in SMR and SMP, which were acquired by SMG on March 6, 2009 and November 23, 2011, respectively. SMG also acquired Scherer & Trier on January 30, 2015, which now forms part of SMP’s business. We believe that SMG was the largest India-based automotive supplier by revenue in 2015, with a diversified business portfolio, including wiring harness, rear view mirrors, polymer processing and tooling, elastomer processing, machined metal components and environment management systems. SMR and SMP comprise SMG’s main international operations.

In the fiscal year ended March 31, 2016, we generated €4,012.7 million of revenue and €291.8 million of EBITDA, representing an EBITDA margin of 7.3% and Adjusted EBITDA of €313.6 million, representing Adjusted EBITDA margin of 7.8%. The following diagram illustrates our revenue breakdown by region and customer for the fiscal year ended March 31, 2016.



(1) The revenue breakdown is shown by manufacturing location of our products and does not reflect OEM exports of our products.

Our Key Strengths

We believe that our key competitive strengths are as follows:

Consistent leading position by global market share

We believe that we have leading market positions in each of our main product segments across several of the regions and market segments in which we operate. Through our SMR division, we have maintained global leadership in the rear view vision systems market, with an extensive product portfolio covering a wide spectrum of vehicle segments. In 2015, we believe that we were a leading global supplier of both exterior and interior rear view mirrors for light vehicles in the European, American and Asia Pacific regions. Our global market share for exterior mirrors reached approximately 24% based on production volumes for light vehicles according to LMC Automotive. Through our SMP division, we held leading market positions across our main product segments in the last three years, including door panels, instrument panels and bumpers, both in the European premium segment and globally. The following table sets forth our global market shares across our product segments for the twelve months ended March 31, 2014, 2015 and 2016 (for a description of our leading market positions across our geographies, see “*Industry and Market Data—Competitive landscape*”).

Product	Global Market share		
	2014	2015	2016
Exterior rear-view mirrors	22%	22%	24%
Interior rear-view mirrors	9%	9%	8%
Bumpers ^(a)	18%	18%	18%
Instrument panels ^(a)	9%	8%	10%
Door panels ^(a)	23%	22%	27%

Source: LMC Automotive and Company estimates.

(a) Premium segment only.

We are one of the few global producers across our main product segments and our leading market positions are supported by significant barriers to entry. Such significant barriers include the high degree of product complexity and required systems integration expertise inherent in our product offering, particularly in the premium segment, our established strategic relationships with the largest global OEMs and our extensive global footprint. We also believe our strong and comprehensive research and development capabilities will continue to support our leading market positions by driving innovation, expanding our product portfolio and enabling us to capitalize on opportunities to capture a greater total value content in individual vehicle model programs.

Strategic long-standing customer relationships with leading global OEMs

We believe we are a trusted partner and a strategic Tier 1 supplier to leading global OEMs and have well-established strategic relationships with several of our customers, including Volkswagen group (Audi, Volkswagen, SEAT and Porsche), Daimler, BMW, Hyundai, Kia, Renault-Nissan, Ford, Jaguar Land Rover, Chery, Scania, General Motors, Volvo and Toyota. Our OEM customers collectively represented over 85% of global automotive production in 2015 and the average relationship duration with our top seven OEM customers (including Volkswagen group, BMW, Hyundai/Kia, Renault Nissan, Ford, Daimler and General Motors) is approximately 40 years. In addition, over 90% of our sales by volume for 2015 were to investment-grade OEMs. Recently, we have added who we believe are potential industry changing companies to our list of OEM customers, such as Tesla and Faraday Future.

We believe our ability to support OEMs in every phase of product development process differentiates us from many of our competitors and, given the substantial investment and time that would be required to replicate our global operations, strengthens our status as a preferred partner to the leading OEMs in the automotive industry. As a result of such status, we are regularly able to engage our customers during the early stages of collaborative development projects, which regularly enables us to recommend and incorporate our products into potential designs in advance of our receipt of any formal contract award from our OEM customers. We believe that such collaboration, when combined with our close proximity to our customers, our technological leadership and our demonstrated reliability, have enabled us to maintain a strong track record of repeat orders. As a result of strong growth both within and beyond our established customer relationships, the total number of OEM vehicle programs and model derivatives that we supply has increased significantly from 289 in the fiscal year ended March 31, 2012 to approximately 600 in the fiscal year ended March 31, 2016, with OEM contracts booked to supply to approximately 650 vehicle programs and model derivatives in the fiscal year ended March 31, 2017, which we believe would allow us to diversify our revenue streams.

Well-invested global footprint with close proximity to OEM customers and a focus on emerging markets

We believe we are one of the few suppliers in our product segments with a global engineering and manufacturing presence and we believe our strong geographical diversification enables us to capitalize on global growth opportunities while mitigating the impact of any regional demand fluctuations. We have global manufacturing, engineering and customer support capabilities, with 47 manufacturing and assembly plants and 11 logistics centers and 25 development, project management and sales centers in 16 countries. We have made substantial investments in recent years to expand our global footprint in line with the global shifts in production capacity of our customers, who we believe are becoming increasingly more reliant upon suppliers with global operations. For instance, since 2012, we have opened three new production sites in Europe (Germany and Hungary) and nine new production sites outside of Europe, including seven sites in Asia (China, India and Thailand) and two sites in the Americas (the U.S., Mexico and Brazil), and have been awarded significant new orders from OEMs, including Daimler and Audi. As a result of our global expansion, we derive a substantial portion of our revenue from emerging markets (which includes our operations in Asia, Latin America and Eastern Europe) and we believe we are well positioned to capitalize on future growth in such markets. In addition, our global expansion has further diversified our business and has enabled us to develop a cost-effective global procurement network with alternative sourcing options for most of our essential inputs.

Our global footprint has also enabled us to strategically locate our facilities within close proximity to the plants of our OEM customers. We believe such proximity enhances our ability to supply our customers in a timely and cost-efficient manner, particularly with respect to the majority of our interior and exterior modules, including door panels, instrument panels and bumpers, which cannot typically be transported efficiently. In addition, consumer demand for vehicle personalization in the premium segment has increased the complexity of our interior and exterior modules, some of which could have hundreds of potential permutations and combinations. To overcome these challenges, we assemble our products in close proximity to the plants of our OEM customers, and deliver them on a “just-in-time” and “just-in-sequence” basis directly to our customers’ production lines with minimal lead times. As a result, we believe we are able to increase the efficiency of our customers’ supply chains and strengthen our status as a preferred supplier.

Strong research and development capabilities and a track record of innovation

We are committed to technological leadership and the development of innovative and high quality products in order to meet both the growing demands of our customers with regard to product complexity and feature content as well as increasingly stringent environmental goals and regulatory requirements. Many of our products utilize environmentally friendly and lightweight materials and are manufactured using state-of-the-art technologies that provide superior safety, comfort and design. As of March 31, 2016, we have an engineering staff of over 960 people and we maintain a portfolio of over 930 patents with over 170 pending patent applications. In addition, we have 22 centers of excellence for project management and advanced engineering. Our design and research centers are interconnected and share innovations and technological advancements across our global network, which enables us to efficiently improve our products and deliver value-added solutions on a global scale and in a cost-efficient manner. Our dedication to technological leadership has enabled us to maintain a long track record of introducing market-first products, including certain Blind Spot Detection Systems, Telescopic Trailer Tow mirrors, door panels manufactured using innovative lightweight and recyclable natural fiber materials, heated interiors and vision-based sensor technology. Our strong research and development capabilities have historically enabled us to develop a diversified and comprehensive product portfolio across rear view mirrors, door panels, instrument panels, bumpers and other interior and exterior components. When combined with our ability to offer a full range of system solutions resulting from the vertical integration of our operations, including our strong in-house sourcing capabilities, we have historically been able to utilize our product portfolio to increase the content per vehicle that we supply across each of our customers’ vehicle platforms.

High revenue visibility, underpinned by a strong track record of repeat business and diversified Order Book

We benefit from strong mid-term revenue visibility, with an estimated Order Book of €13.5 billion as of March 31, 2016, which represents the sales that we expect to record in the event we receive firm orders under contracts for vehicle programs and model derivatives that we have been awarded by OEMs but which are not yet in production and is comprised of both incremental and repeat business. Our Order Book reflects our focus on growth outside of Europe and is diversified across geographies and customers. We believe the potential revenue realization from these contracts positions us well for growth in the mid-term. Our contracts typically extend over the life of the vehicle program (generally at least five years). In addition, visibility over our revenues is enhanced by our strong track record of winning repeat orders and being awarded contracts for subsequent generations of a particular vehicle model, as well as by the unlikelihood that one of our customers switches suppliers once a project has been nominated to a preferred supplier, given the prohibitive operational, technical and logistical costs of switching. As a result, while the actual revenues which we derive from a project ultimately depend on our OEM customers’ production volumes achieved for the respective car models, we believe we have good visibility of mid-term revenues within a relatively small range of sensitivity. In addition, we believe that our focus on research and development helps us generate cross-sell opportunities and increase content per vehicle that we supply without compromising our pricing, which we believe helps differentiate ourselves from our competitors and contribute to the high barriers to entry to the automotive industry.

See “*Presentation of Financial and Other Information—Order Book*” and “*Risk Factors—Risks Relating to Our Business—Our Order Book may not be indicative of our future revenue.*”

Highly experienced management team with excellent track record

We benefit from a strong professional management team, with average automotive industry experience among our senior managers of over 25 years. The majority of our team has been with SMG or its legacy businesses for several years, demonstrating a high degree of continuity and commitment in our leadership. Our management team has a demonstrated track record of achieving improved financial results and has solidified the customer relationships of SMR and SMP as well as enhanced their respective local management teams. In addition, we have experienced and stable senior managers at the regional levels with significant experience and understanding of their respective markets and regions. Our strategy is to empower local management, ensuring they have ownership of day-to-day operational decisions while being guided by central principles aligned to the Group's vision and strategy. We believe that the strength of our management team combined with our decentralized business model enables us to take advantage of strategic market opportunities, to make decisions at the local level quickly and to better serve our customers.

As a result of the foregoing, we have been able to successfully achieve operational improvements, increase operating margins and leverage our long-standing relationships with OEMs to drive revenue growth and win new and repeat business. We have improved SMR's Adjusted EBITDA margin from 6.6% for the fiscal year ended March 31, 2013 to 10.4% for the fiscal year ended March 31, 2016, while SMP's Adjusted EBITDA margins have improved from 3.3% for the fiscal year ended March 31, 2013 to 6.4% for the fiscal year ended March 31, 2016.

Committed, well capitalized Indian parent company

We benefit from strong sponsorship from SMG, our parent company, which is one of the largest India-based global tier 1 automotive suppliers, and by virtue of being a subsidiary of MSSL (listed in India with a market capitalization of \$5.7 billion as of the date of this Offering Memorandum). Established in 1975 by the Sehgal family, SMG supplies to leading automotive OEMs and, as of March 31, 2016, had presence across 25 countries, operated over 180 manufacturing plants and employed over 75,000 workforce globally. We believe that SMG is financially strong, with superior profitability, margins, strong cash flow, liquidity position and limited debt, with operations in India that has high future growth. SMG's business portfolio comprises wiring harness, rear view mirrors, polymer processing and tooling, elastomer processing, machined metal components and environment management systems. SMG's flagship company, MSSL is a publicly-listed Indian company with consolidated revenue of \$5.7 billion for the fiscal year ended March 31, 2016 and a market capitalization of \$5.7 billion as of the date of this Offering Memorandum. See "*—Our History and Our Shareholder.*" SMG provides day-to-day operational support in the form of in-house sourcing of raw materials and shared support services and resources.

We believe that SMG's OEM customers welcomed its acquisition of SMR and SMP based on SMG's track record of delivering high-quality multi-product solutions, its longstanding OEM relationships and extensive geographic footprint. We currently form a vital part of SMG, contributing approximately 76% of MSSL's consolidated revenues for the fiscal year ended March 31, 2016, and are a key driver of growth in its international portfolio. Accordingly, in connection with SMR's and SMP's respective acquisitions, SMG has historically demonstrated a strong commitment to our success, providing support in the form of shareholder loans, equity injections and corporate guarantees in order to foster our growth and integrate the newly acquired businesses. Additionally, Mr. Vivek Chaand Sehgal, the chairman of SMG, currently serves on our Supervisory Board. SMG provides day-to-day operational support in the form of in-house sourcing of raw materials and shared support services and resources.

Our Strategy

We have adopted the vision of SMG, which is to be a globally preferred solutions provider in the automotive industry. We aim to achieve this by pursuing the following strategic actions that we have established based on the philosophy of SMG, which includes focusing on consistent outstanding performance, strengthening customer relationships built on trust, pursuing greater client engagement, increasing the content per vehicle that we supply and developing long-term sustainable value creation.

Retain and strengthen our technological leadership through continued focus on research and development and innovation

We are focused on retaining and strengthening our technological leadership through the continued development of innovative products, which we believe will enable us to expand our diversified products portfolio and drive increased product orders going forward. We intend to continue to focus our research and development capabilities on four key areas:

- *Safety*: Developing intelligent features to enhance passenger and pedestrian safety, such as integrated sensors, intelligent camera-based object detection solutions, lane departure warning systems and mirror-integrated blind spot warning lights, and mirror replacement camera monitoring systems.
- *Environment*: Using environmentally-friendly and recyclable materials and reducing component size and weight to minimize material and fuel consumption, such as through the application of lightweight natural fibers in interior systems.
- *Performance/efficiency*: Optimizing usability through smarter design, the use of new materials and the integration of attractive, value-added features such as vehicle occupant interface displays and controls.
- *Aesthetics*: Improving the aesthetic features of passenger cars through the introduction of new styling solutions, such as high gloss finishes and decorative metallized surfaces

We believe our track record and reputation of technological leadership has positioned us as a preferred partner for collaborative research and development with leading OEMs. We intend to continue to pursue collaboration opportunities with our existing customers, offering them our full suite of development capabilities and jointly developing innovative solutions to cater to their needs. We also intend to continue to promote the sharing of knowledge and experience among our product development personnel across our different geographies to ensure that our most up-to-date expertise and solutions are available globally. Through our focus on technological leadership and the design and production of innovative products and solutions, we aim to further strengthen our position as the partner of choice in providing innovative and complex products which meet changing consumer needs.

In 2015, we formed “Motherson Innovations”, a dedicated group of experts from various departments, which aims to develop groundbreaking technologies. Motherson Innovations’ objective is to enter new and attractive market segments with innovative products, and to provide the Group with a range of cutting edge solutions and high value product offerings. The team consolidates skilled engineers, researchers and business developers of the Group’s subsidiaries to one tightly cooperating organization, thereby creating synergies. We believe our team members are well-connected to many of the world’s leading technology specialists and to the global network of the Group. Motherson Innovations is part of SMG’s Vision 2020, which we believe has high potential for long-term growth.

Continue our disciplined global expansion and diversification through selective investments backed by new orders

We intend to continue to diversify and grow our global footprint in line with the international expansion of our main OEM customers’ production footprints, particularly in emerging markets in Asia and the Americas. We believe these geographies offer both a low cost base and attractive growth potential in the near future and that such growth will enhance the resilience of our business by reducing our dependence on the European automotive market. We also plan to diversify our customer base by increasing engagement with Chinese and Japanese OEMs. In line with this strategy, our capital expenditure has historically been associated with disciplined growth, generally tied to specific client project nominations, such as our recent construction of new facilities in Germany and China, which are linked to orders from certain of our customers. From the fiscal year ended March 31, 2013 through the fiscal year ended March 31, 2016, we invested €673.8 million in capital expenditure, a substantial portion of which was growth capital expenditures related to the construction of new plants in Germany, Hungary, China, India, Thailand, the United States, Mexico and Brazil, as well as our recent plant expansions in Germany, Spain, Mexico and France.

In assessing new investment opportunities, our management team will continue to consider, among other things, whether it believes an investment will result in an attractive internal rate of return. Based on our current business plan, we have utilized a majority of our planned capital expenditure to meet

our greenfield and brownfield expansions and we aim to support continued business growth through an expected average gross capital expenditure of approximately €250 million per year over the next two years, of which we expect maintenance capital expenditures of €75 million per year. We are currently focused on utilizing such expenditures for the expansion of our business in Mexico to cater to the US market, and selected regions in Eastern Europe and China, where we believe that growth in light vehicle production volumes will be strongest in the medium-term.

Increase customer penetration and diversification

We intend to continue to strengthen our existing relationships with OEM customers while simultaneously pursuing opportunities to develop new OEM relationships. With respect to our existing customers, we aim to continue to maintain our strong track record of repeat orders as well as expand and strengthen our relationships with these companies as part of our organic growth efforts. We believe we are well-positioned for mid-term growth and increased diversification due to a number of recent new orders from our existing customers. We also intend to capitalize on the current trend of OEMs shifting to global platforms and consolidating their supplier bases so that we can capture a greater total value content in individual model programs. In order to achieve this, we intend to actively manage our key customer accounts to increase customer interaction, collaborate with our customers in the early stages of product development and help our customers optimize their supply chains by managing their lower tier suppliers.

Furthermore, we intend to continue to leverage SMR's and SMP's complementary OEM relationships to cross-sell our products to existing customers in order to capture a greater total value content in individual model programs. For example, certain OEMs with no previous ties to SMP have recently solicited bids for interior and exterior modules as a result of their positive experiences and long-standing relationships with SMR. In line with SMG's 2020 plan, we will aim to reduce our product component, geographic country and customer concentration to less than 15%.

Drive further efficiency and continue to improve our cost base and capex efficiency

We intend to continue to improve the efficiency of our operations and reduce our cost base by taking advantage of our global footprint and economies of scale as well as by targeting savings in our administrative, procurement and production processes. In particular, we are focused on enhancing the vertical integration of our operations by coordinating our manufacturing activities across our Group and through our integrated supply chain, including procurement, inventory management, engineering and design operations. For example, through the collaboration of SMR and SMP engineering teams, we are able to showcase integrated solutions to our customers, as well as purchase certain raw materials inputs, such as resins and paints, on a joint basis in order to achieve cost advantages with key suppliers. In addition, we aim to reduce our dependence on third-party suppliers through the utilization of in-house sourcing options for raw materials and key components. For instance, in our rear view vision systems business, we currently source a portion of several key inputs in-house, including mirror glass, actuators and power-folds, which results in an increased proportion of our in-house value-added content in the modules and systems we assemble and deliver to our customers. We intend to continue to focus on the vertical integration of our operations, which we believe will enable us to further streamline our production processes, achieve shorter development and delivery lead times, exercise significant control over key inputs and processes, enhance quality control and increase supply security.

In 2015, we set up our Global Strategic Procurement (“GSP”) team based in Dubai Airport Free Zone Areas, which consolidated SMG's purchasing teams in order to take advantage of their purchasing power and align commercial operations. The GSP team comprises members from various entities of SMG (including SMR and SMP) as well as relevant industry experts. The GSP team has commenced its work on commodities such as resins, paints, capex requirements as well as indirect purchase and aims to deliver significant cost savings for SMR, SMP and other parts of SMG.

Over the last two years, we have invested in upgrading our facilities, including setting up new, more efficient and higher capacity paintshops in Germany, Spain and Hungary. We aim to achieve further efficiencies through strategic capital expenditures to upgrade or replace key machinery utilized in our manufacturing and assembly processes, which we believe will increase our production efficiency and output quality, while further reducing fuel consumption. In addition, we intend to continue to monitor our plants' performance against various key performance indicators while setting ambitious yet achievable targets in the implementation of quality, cost, delivery, development, management,

safety, environment and sustainability parameters. Furthermore, we intend to continue to leverage the interconnectivity of our design and research centers and share innovations and technological advancements across our global network, which we believe will enable us to efficiently improve our products and deliver value-added solutions on a global scale and in a cost-efficient manner.

Focus on profitable growth and pursue strategic acquisitions while maintaining our conservative financial policy

Through the implementation of the foregoing strategies, we intend to continue to focus on profitable growth while maintaining adequate liquidity. After giving effect to the Offering, our net leverage ratio (as defined under RCF agreement) would have been 1.8x as of March 31, 2016 and we intend to maintain a conservative financial policy going forward. As part of this strategy we may continue to grow our business through selected, value-accretive acquisitions, to the extent such acquisitions are backed by one or more OEMs and adequately supported by an anticipated increase in the number of customer orders and/or preferential payment terms from OEM customers. Additionally, we may also consider acquisitions to gain access to key technologies and potential synergies. Furthermore, when evaluating potential acquisitions we intend to focus on our long-term conservative financial policy and our ability to return to our targeted leverage levels following such acquisitions.

Our History and Our Shareholder

We are a member of SMG, a diversified group providing integrated full-system solutions to the automotive and related industries, from design and prototyping to tooling, molding, assembly and production of modular components. Established in 1975 by the Sehgal family, SMG is a global Tier 1 supplier to the top ten automotive OEMs and is active across 25 countries, operating over 180 manufacturing plants and employing a global workforce of approximately 75,000 as of March 31, 2016. SMG's business portfolio comprises wiring harness, rear view mirrors, polymer processing and tooling, elastomer processing, machined metal components and environment management systems. SMG's flagship company, MSSSL is a publicly-listed Indian company with consolidated revenue of \$5.7 billion for the fiscal year ended March 31, 2016 and a market capitalization of \$5.7 billion as of the date of this Offering Memorandum.

Sumitomo Wiring Systems, wholly-owned subsidiary of Sumitomo Electric Industries (Japan) is a key shareholder of MSSSL. Since 1983, Sumitomo Wiring Systems has provided SMG with technical and personnel training support and engaged in collaborative design and development.

We are a holding company, and our assets consist solely of our equity interests in our subsidiaries, including SMR and SMP, which make up our two divisions. See “—*Corporate Structure and Certain Financing Arrangements.*” SMR was established in Germany in 1935 as Reitter & Schefenacker, and over its nearly 80-year history grew via organic expansion through production capacity increases in Europe, the Americas and the Asia Pacific region. SMP was founded in 1959 under the name Badische Plastikwerke and originally focused on the production of plastic kitchen and household devices. Peguform was acquired in 1978 by British American Tobacco, which changed Peguform's name to Peguform-Werke AG and shifted its focus to supplying plastic components for the automotive industry. Peguform-Werke AG underwent several changes of ownership prior to its acquisition by SMG on November 23, 2011, when it was renamed SMP. Scherer & Trier which was founded in 1967, was acquired by the Group on January 30, 2015 and renamed as SMIA, and is headquartered in Michelau/Oberfranken, Germany. SMIA is an internationally renowned specialist in plastic technologies that develops and manufactures profiles and molded parts made of thermoplastics as well as hybrid components made of metal and plastic. SMIA is part of the SMP division.

The Group has reinvested all cash profits generated in its business since the acquisition of SMR in March 2009 and SMP in November 2011. No cash has been taken out or upstreamed from SMR and SMP in dividends or any other form. All cash profits have been reinvested into the Group for upgrading and building new production facilities and future growth of business.

Our Products and Services

We offer a comprehensive portfolio of high-quality products and integrated solutions developed to meet the needs of OEMs in our markets. Our diversified product offering consists of the rear view vision systems product offering of our SMR division and the interior and exterior modules offering of our SMP division.

The following table sets out our revenue by division for the periods presented.

	Fiscal year ended March 31,		
	2014	2015	2016
	(€ thousands)		
SMR	1,082,140	1,238,326	1,395,852
SMP	1,915,867	2,246,068	2,617,562
Total⁽¹⁾	2,996,930	3,484,067	4,012,724

(1) The revenue amounts are reflected net of intercompany revenue between SMR and SMP of €1.1 million, €0.3 million and €0.7 million for the years ended March 31, 2014, 2015 and 2016 respectively. The revenue amounts of SMR and SMP individually are reflected gross of intercompany revenue between SMR and SMP.

Rear View Vision Systems

Through our SMR division, which includes a manufacturing joint venture in China, we undertake the business of developing, producing and distributing rear view vision systems for the international automotive industry. SMR's rear view vision systems product line comprises both exterior and interior mirror systems, which it supplies to all light vehicle segments including the luxury, performance and premium segments, medium segment and the low-cost segment, as well as light commercial vehicles. As of March 31, 2016, SMR held a 24% global market share for passenger car exterior rear view mirrors according to LMC Automotive. Although they vary in complexity, exterior mirrors generally consist of a plastic housing, a support structure that joins the mirror to the vehicle, a reflective mirror glass and a wire harness. Interior mirrors generally consist of a plastic housing, a support structure that joins the mirror to the vehicle and a reflective mirror glass. In addition, exterior and interior mirror systems may also include certain additional features as described below. As a specialist in glass processing, electric motors and electronic systems, SMR develops and has the capability to produce nearly all of the integrated components for such products in-house. In addition, SMR has historically been able to source components from other SMG sister companies. See "*Certain Relationships and Related Party Transactions.*"

SMR's main business is the design, engineering and assembly of exterior mirrors and in the year ended March 31, 2016, SMR produced approximately 45 million exterior mirror units. The exterior mirror product line ranges from basic, manually-adjusted mirrors to high-value mirror systems with multiple integrated features, including automatic dimming EC glass, electric power-folds, heated glass, light modules and integrated turn signals. In addition to the development and production of traditional exterior mirrors, SMR also develops, produces and integrates complex units with integrated driver assistance features such as blind spot detection systems, side turn indicator lamps and assist system signal lights. SMR is also actively engaged in the development of the future mirror replacement camera monitoring systems given a trend of increasing interest from SMR's OEM customers.

The other main component of SMR's business is the development, design, engineering and assembly of interior mirrors and in the year ended March 31, 2016, SMR produced approximately 7.5 million interior mirror units. SMR designs, engineers and assembles interior mirrors for all light vehicle segments as well as for commercial vehicles. The interior mirrors are fitted with several features depending on the particular vehicle program, including prismatic mirror glass, toll collection system integration, integrated displays, reading lamps, integrated lighting, microphones, garage door openers, rain sensors, air and humidity sensors and auto-dimming glass. For the fiscal year ended March 31, 2016, mirrors accounted for approximately 35% of our consolidated revenue.

Interior and Exterior Modules

Through our SMP division, we supply interior and exterior components and pre-assembled modules for vehicle interiors and exteriors, with a focus on the light vehicle segment. These largely polymer-based components are delivered to SMP's automotive OEM customers as separate components or pre-assembled as modules. SMP focuses on the premium segment, where the high quality standards, increasingly complex products and large number of integrated features demanded by OEMs have resulted in increased average product prices and higher margins. SMP is one of only a few major global players in the premium segment, where for the fiscal year ended March 31, 2016, it held global market shares of 18%, 10% and 27% for bumpers, instrument panels and door panels, respectively.

Interiors

SMP's interior product portfolio encompasses individual components as well as assembled interior modules and fully completed cockpits. Key products include dashboard and cockpit products (instrument panels, dashboards, fully completed cockpits, glove boxes, airbag boxes), center consoles, door panels (fully completed systems, textile and slush surfaces, light weight solutions, natural fiber solutions) and decorative interior panels. The addition of integrated electric features and sophisticated surface materials (polymer, fabric and leather) and the increasing "modularization" of interior components have contributed to higher average unit value. For the fiscal year ended March 31, 2016, sales of interior products constituted approximately 58% of SMP sales.

Exteriors

SMP's exterior product portfolio comprises a variety of polymer car body and outer skin components and systems. Key products include bumpers (painted bumper covers, front-end modules, grills), painted rocker panel covers and innovative plastic solutions (convertible roof covers, plastic-based hybrid tailgates, plastic roof panels and hoods). The addition of integrated electronic features and an increasing focus by OEMs on component weight reduction have contributed to higher average unit value and lower freight costs. For the fiscal year ended March 31, 2016, sales of exterior products constituted approximately 42% of SMP sales.

Engineering Services and other

In addition to its exterior and interior mirror product offerings, SMR produces complementary products including signal lamps, interior lighting solutions, door handles, overhead consoles and electric drive modules. With its staff of in-house engineers, SMR also has the ability to provide full-service engineering, service and process integration solutions to its customers through the support of its various engineering centers or resident engineers placed at customer sites.

As a fully-integrated engineering and manufacturing company, SMP also has the capability to provide standalone engineering services to its automotive OEM customers. Employing advanced technologies, SMP develops end-to-end engineering solutions, undertaking the development of polymer-based automotive products from the initial development stages through to production. SMP has specialized departments devoted to design and concept development, simulation and product testing, tooling, model construction and prototyping, which form the basis for an integrated and efficient product development process.

Global Manufacturing, Sequencing Centers and Sales Presence

We operate 47 manufacturing facilities (20 under SMR and 27 under SMP) across 16 countries and have a network of 22 development, engineering, project management and sales centers, 11 logistics centers and four research and development centers. Approximately 45% of our production facilities are located in countries we have identified as low-cost countries such as China, India, Brazil, Mexico and Hungary. The following diagram provides an overview of our manufacturing, logistics and sales presence by geography which supports our global customer base.

- ✓ 47 manufacturing plants
- ✓ 16 countries
- ✓ 11 module centers



Source: Company data

Our extensive geographic footprint places us in close proximity to many of the plants of our OEM customers, facilitating inter-dependencies and allowing us to effectively manage inventories while minimizing transport time and costs. The majority of SMP's facilities are located or utilize a logistics sequencing center within one hour of our customers' plants, allowing us to supply our customers on a "just-in-time" or "just-in-sequence" basis. "Just-in-time" refers to a method of parts procurement, increasingly common in the automotive industry, whereby OEMs reduce parts inventories and their associated carrying costs by working with suppliers to procure parts only as they are needed in the production process. This allows OEMs to maintain greater flexibility and facilitates increased efficiency of their production lines. "Just-in-sequence" is an evolution of the "just-in-time" method, whereby parts are not only delivered at the appropriate time and in the required quantities, but at precisely the stage in the production process in which they are needed, allowing for delivery at the point of installation and further minimizing the time and cost associated with transporting and storing parts. These procurement methods are of particular importance in the premium segment, from which we derive a majority of our revenues. Consumer demand for vehicle personalization in this segment has increased the complexity of our interior and exterior modules, some of which could have hundreds of potential permutations and combinations, making it cumbersome for OEMs to carry substantial inventory. Our ability to provide "just-in-time" and "just-in-sequence" deliveries is a key feature we offer our customers as it minimizes our OEM customers' carrying costs and allows them to adapt swiftly to changing consumer demand.

Manufacturing and Production

Historically, we have been able to provide full system solutions through vertical integration, leveraging our in-house component production capabilities as well as benefitting from existing synergies with other companies in SMG. For example, in our rear view vision systems business, we currently source several key inputs in-house, including conventional mirror glass, actuators and power-folds, which results in an increased proportion of our in-house value-added content in the modules and

systems we assemble and deliver to our customers. We intend to continue to focus on the vertical integration of our operations within our own Group as well as achieve further synergies with other companies in SMG. See “*Summary—Our Strategy—Drive further efficiency and continue to improve our cost base.*”

Rear View Vision Systems

The production of exterior and interior rear view mirror systems requires a professional and structured development process. Initially, during a pre-production phase, the product and tools are designed, processes are defined, suppliers are selected and, where necessary, employees are trained in specialized skills or equipment. The processes principally involved at the start of production are the manufacture and customization of tooling. The tools required are engineered molds and dies used to construct the various parts comprising the rear view vision system. This is followed by the injection molding of plastic parts, in which plastic granulate is heated and pressed into a tool to give the component the required shape. Components are painted at SMR’s paint shops in accordance with stringent customer specifications, using three layers to ensure a high scratch resistance. Once painting is completed the components, together with parts sourced from suppliers, are assembled through a combination of automated assembly processes and skilled line workers. The process chain is subjected to in-process controls, post-process checks, regular product and process audits and a 100% functionality test after assembly and prior to shipping.

A portion of the components that SMR uses to manufacture the exterior and interior mirrors are molded and constructed by SMR using a combination of raw materials and other components that it purchases from various suppliers, while the remainder of the components used are purchased directly from suppliers. For instance, conventional mirror glass is produced in-house through SMR’s glass cutting, grinding and bending, printing and chroming/metallization capabilities, while certain specialized types of glass such as EC glass are sourced via third-party providers such as Gentex.

Interior and Exterior Modules

The SMP manufacturing and production process is structured to provide maximum control over the end products during each stage of their creation, and allows us flexibility while providing for short processing times. The stages of the SMP production process can be undertaken entirely in-house or in collaboration with SMP’s automotive OEM customers, and include concept development, design and simulation, testing and validation, tooling, production and assembly and materials management.

As with the manufacture of rear view vision systems, during an initial pre-production phase, the product and related tools are designed, processes are defined, suppliers are selected and, where necessary, employees are trained in specialized skills or equipment. The processes principally involved at the start of production are the manufacture and customization of tooling. The tools required are engineered molds and dies used to manufacture parts. This is followed by the injection molding of plastic parts. During the injection molding process, plastic granulate is heated and pressed into a tool to give the component the required shape. If requested, the system is then painted and assembled. Components are painted at our paint shops in accordance with stringent customer specifications, using water-based paint systems. Once painting is completed, the components, together with parts sourced from suppliers, are assembled through a combination of automated assembly processes and skilled line workers. The production chain is subjected to in-process controls, post-process checks, regular product and process audits and a 100% functionality test after assembly and prior to shipping.

A portion of the components used to manufacture the exterior and interior systems is designed and molded in-house using a combination of raw materials and other components that are purchased from various suppliers, while the remainder of the components used are purchased directly from suppliers.

The key manufacturing technologies utilized in SMP include, among others:

- advanced injection molding for the production of medium and large high precision plastic parts;
- blow-molding, compression molding and slush-molding, foaming and EPP foams for the production of quality thermoplastic molded skins;
- thermoforming and natural fiber processing for the production of lightweight door panels, inserts, armrests, storage walls and trunk trims;
- painting (in matte, high-gloss, primed and soft-touch finishes) for the coating of car bodies or interior trim parts;

- laminate, welding, gluing, imprinting and laser-trimming for surface-finishing with high-quality foils, textiles, bolster foams, 3D-woven fabrics or other coverstocks; and
- polyurethane foaming for back-foaming of molded skins; and assembly processes for integrated front-end, cockpits and door panel modules.

Slush molding, a form of rotational molding, is a key process used by SMP. The slush molding process enables thermoplastic products to be manufactured with detailed and often complex shapes. A prime application for this process is the manufacture of vehicle instrument panel “skins” that are ultimately back-filled with a foam system, providing the finished product with the necessary rigidity. The rotational technique allows parts to be made with a single “cosmetic” side. It can also be used to make hollow parts, if necessary. A variety of materials can be processed using this technique, but most often polyvinyl chloride (“PVC”), thermoplastic polyurethane (“TPU”) and thermoplastic polyolefin (“TPO”) are employed, depending upon the final performance specifications. The molding material used by SMP is a PVC powder. This material is first charged into the mold and the mold is then “tumbled” while, at the same time, its temperature is elevated. The process encourages the molding material to form a skin on the mold surface, which then becomes the molded part. Once the part is fully formed, the mold is cooled and the part can be peeled from the surface of the mold. The mold surface will mainly dictate both the texture and the appearance of the molded skin, but both details are strongly influenced by the mold release agent that is employed.

Research and Development

We are focused on driving innovation and being the technological leader in the both the rear view vision systems and interior and exterior modules segments. We employ over 960 engineering and research and development staff and have a portfolio of over 930 patents. OEMs typically decide on the technological components they wish to include in their vehicles three years prior to the start of production of such vehicle. Following receipt of a request from OEMs with respect to their desired components, we work closely with our customers on the development of innovative products. Through such collaboration, we aim to satisfy the requirements of our customers as well as integrate ourselves with them, including by positioning our own engineers on-site at customer locations with in-house engineering and design teams. In addition to developing products to respond to the requests of our customers, we develop other innovative products, which we then offer to customers to enhance our overall value proposition. Our focus on innovation has enabled us to be the first to market with several technologies, including the introduction of the first video-based blind spot detection system.

In 2015, we formed “Motherson Innovations”, a dedicated group of experts from various departments, which aims to develop groundbreaking technologies. Motherson Innovations’ objective is to enter new and attractive market segments with innovative products, and to provide the Group with a range of cutting edge solutions and high value product offerings. The team consolidates skilled engineers, researchers and business developers of the Group’s subsidiaries to one tightly cooperating organization, thereby creating synergies. We believe our team members are well-connected to many of the world’s leading technology specialists and to the global network of the Group. Motherson Innovations is part of SMG’s Vision 2020, which we believe has high potential for long-term growth.

Rear View Vision Systems

SMR employs over 430 experienced engineers and research and development staff and has 11 product design and research centers at locations including Australia, France, Germany, Hungary, India, Japan, South Korea, United Kingdom and United States. Research and development is an essential element of SMR’s business, and is focused on the research and development of new technology and styling options for exterior and interior rear view vision systems. SMR typically recovers its design fees through the pricing of its products, and is generally compensated by customers for research and development costs incurred in the event a vehicle program is cancelled. If SMR develops features in conjunction with an automotive OEM, it generally retains the intellectual property rights in the design of the product and it would normally grant the customer a perpetual license to use the intellectual property free of any royalty.

SMR’s research and development teams are committed to providing market-compatible and trend-setting solutions for all cost segments. In addition to its more traditional research and development functions, SMR’s applied engineering group works to develop more cost-efficient products and also works closely with the engineering teams of its automotive OEM customers to support product

integration and to improve production processes. SMR's applied engineering group focuses on standardizing SMR's engineering activities and realizing synergies among the regional engineering teams who then match technology and products to specific applications and projects. The regional engineering teams are responsible for tool engineering, model and prototype shops and SMR's full service, on-site test laboratories.

Interior and Exterior Modules

SMP employs over 530 engineers and operates ten engineering centers, with five offices in Germany, to facilitate cooperation with its key OEM customers, two in China and one each in Spain, Mexico and Brazil. SMP's engineers are focused on meeting and exceeding the steadily increasing requirements of its customers. SMP has specialized departments (Design and Concept Development, Simulation and Test, Tooling and Model Constructions / Prototyping) which form the basis for its product development process. SMP tracks the development of each product from the initial stages. Design studies and technology specifications are formulated in the predevelopment stage, with attention to the benefits of the materials to be used and related technologies. This approach facilitates cost advantages and quality improvements through the integration of functions and skillful material combinations. Starting from production process to tolerance concepts, service friendliness and recycling concepts, a full range of relevant factors are taken into consideration at the design and concept development stage. This ensures development of new products with various solutions and options at the early concept stages of the project, ultimately delivering our best possible product to the customer.

To meet the ever-increasing demands of automotive OEMs in terms of lead time, development time and quality, SMP relies on the benefits of the numerical simulation in component development. Customers' demands and requirements for components are reviewed at the preliminary stage of the development of the component, which helps reduce any necessary tool changes and trial loops with cost-intensive prototypes and minimize development times. This analysis and simulation involves a team of computation engineers performing an analysis based on (i) rheological simulations (fillings, cooling and warpage of injection molded parts), (ii) implicit simulations (stiffness, strength, modal analysis and thermal loads); (iii) explicit simulations (impact, crash, airbag analysis); (iv) computational fluid dynamics (air flow, defrost analysis); and (v) testing and validation.

As virtual modeling cannot entirely anticipate the properties of a finished product, trials involving physical prototypes to determine stress loads and stress resistance of materials, functions and component life are also used. To check the required properties, the products undergo extensive tests at all stages of development, taking into account the expected stress load over the entire life of the component.

After multi-dimensional and laboratory trials, products are subject to tests including:

- legal tests to measure compliance with head impact, airbag inflation, occupant protection and pedestrian protection regulations;
- environmental simulations to evaluate the resistance to extreme temperature, climate changes and sun exposure;
- functionality tests of mechanical strength and materials durability through continuous and misuse tests and for determining the operating forces; and
- acoustic tests to measure squeaks and rattles, modal analyses and investigations in the impedance measuring tube to determine the absorption and reflection qualities of various materials.

SMP's research and development team focuses on certain key areas, including lightweight construction, renewable raw materials, occupant protection, interior modules, front-end modules and pedestrian protection. The engineering team works with OEMs to develop more cost-efficient and lightweight products, along with adding new functionalities and innovating SMP's existing product range. This cooperation with the OEMs' engineering teams supports product integration with our customers.

Sales and Marketing

We focus on high quality customer interaction in order to identify, create and capitalize on opportunities and develop solutions ahead of our competitors, which we aim to achieve with our sales and marketing team of over 210 employees as of March 31, 2016.

Our sales process often begins with product development teams that work closely with our customers to create products and solutions to meet our customers' needs. We focus on strategically aligning ourselves with our key customers and creating long-term relationships with customers after an initial sale. Our customers have indicated that they expect us to develop products alongside their own development teams. As a result, when appropriate, our technical salespeople and engineers work on-site at customer locations, collaborating closely with the in-house engineering and design teams to develop solutions and maximize sales opportunities. Such arrangements give us the opportunity to embed our products into our customers' expansion and development plans. In some cases, our products are specified into the design of the end-product, resulting in a strong position for the life of the platform.

We have international sales and marketing teams located in the U.S., the U.K., France, Germany, Spain, Mexico, Brazil, India, South Korea, China and Australia. Our sales and marketing team and the engineering teams are the primary contacts for our customers and are involved throughout the lifecycle of the product. Our sales and marketing team focuses on developing customer relationships, acquiring new contracts for development and manufacturing, identifying new customers and generating incremental business opportunities. It is also responsible for identifying and responding to new bids and requests for proposals. The marketing of our products is done primarily through interaction with the purchasing, engineering and product planning departments of automotive OEM customers, as well as through discrete marketing activities involving senior management representatives, especially in relation to the marketing of new product innovations, technology presentations and global supply solutions.

Customer Contracts

We are typically engaged by our automotive OEM customers to provide components and systems for specified vehicle model programs. Our contracts with OEMs are for one or more models, and typically extend over the life of the vehicle program (generally at least five years), often contemplating updates or mid-cycle model refresh actions. Most of our customers have a standard set of terms and conditions which govern the framework of their business relationships, including intellectual property rights, termination and other general provisions. These general terms and conditions are typically agreed as a pre-condition of engaging in business with a particular customer. However, there is generally no order contract in relation to a particular program until a specific purchase order is issued by the customer.

Purchase orders issued by OEMs are open orders with short-term durations, and do not require the purchase of minimum volumes of our products. While a price is agreed upon at the time the purchase order is issued, based on specified volume assumptions, these volume assumptions specified by the customer are not binding and there is no commitment to purchase any particular product volumes. Our customers commit to firm orders to purchase specific product volumes for periods generally ranging from one to three months, and typically extend no other purchase commitments. The actual number of products supplied under purchase orders in a given year is dependent upon the number of vehicles produced by our OEM customers of the specific model in which our products are incorporated. Accordingly, volatility in our customers' production volumes and the individual success of the models in which our products are incorporated remain industry-wide risks, with overall mitigation achieved through the diversification of customers and product segments. In circumstances where the production volumes differ significantly from the original projected volumes in our contracts with our customers, such customers generally provide limited compensatory relief in the form of the acceptance of price adjustments or other similar compensation designed to offset the potential financial loss resulting from lower than forecasted volumes. Contracts are not typically renegotiated; however, our agreements with OEMs typically contemplate price adjustments related to fluctuations in the cost of our input materials or changes to the underlying product (for example, a mid-cycle refresh action). See "*Risk Factors—Risk Relating to Our Business—Our inability to realize revenues represented by our awarded business or termination or non-renewal of production purchase orders by our customers could materially and adversely impact our business, financial condition, results of operations and cash flows.*"

Historically, once awarded a contract for a particular vehicle model or program or derivative thereof, we will continue to supply those products until the end of that model or program or derivative thereof, and have in many cases been awarded a contract for the replacement program at the end of the vehicle model production lifecycle. For the fiscal year ended March 31, 2016, SMR supplied products to more than 350 vehicle programs and model derivatives and the top ten vehicle programs and model derivatives represented 24% of SMR’s revenues. For the fiscal year ended March 31, 2016, SMP supplied products to more than 250 vehicle programs and model derivatives, and the top ten vehicle programs and model derivatives represented 62% of SMP’s revenues.

Joint Ventures

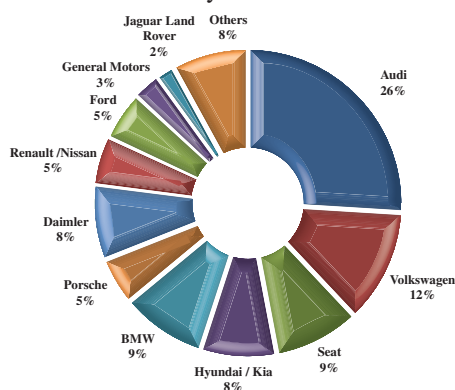
We conduct a small portion of our operations through joint ventures with business partners, in China and Europe. SMR conducts a portion of its business in China through Ningbo SMR Huaxiang Automotive Mirrors Co. Ltd. (“NHG”), a joint venture with Ningbo Huaxiang Electronic Company Limited in which SMR controls 50%. SMP conducts a portion of its business in Europe through Eissmann SMP Automotive Interieur Slovensko s.r.o., a joint venture with Eissmann Automotive Slovensko s.r.o. in which SMP controls 49% and Celulosa Fabril S.A., Saragossa, Spain, a joint venture with Blanos Participaciones, S.L. in which SMP controls 50%. The results of joint ventures are accounted for in our results under the equity accounting method and such joint ventures will not be members of the restricted group or be subject to the restrictive covenants under the Indenture governing the Notes. In addition, we make certain sales and purchases with our joint ventures. See “*Certain Relationships and Related Party Transactions*” and “*Risk Factors—Risks Relating to Our Business—We conduct a small portion of our operations through joint ventures over which we may have limited control.*”

Customers

Historically, the automotive industry has had a limited number of major global OEMs and this has led to a substantial percentage of our sales being made to a relatively small number of customers. For the fiscal year ended March 31, 2016, our largest single-brand customer, Audi, represented 26% of our revenue, while our five largest customers in the aggregate represented 64% of our revenue. The average relationship duration with our top seven OEM customers is approximately 40 years and we have historically had a strong track record of retaining and growing these key accounts.

We believe that we have stable relationships with our key customer accounts, and we expect to continue to depend on sales to our largest customers, many of which are major automotive OEMs. See “*Risk Factors—Risk Relating to Our Business—We depend upon sales to a small number of customers, and the loss of or reduction in sales to any of our major customers would have a material adverse effect on us.*”

The following diagram shows our revenues by customer for the fiscal year ended March 31, 2016.



SMR is a Tier 1 supplier and provides products and services to many of the world’s largest automotive OEMs. SMR’s customers are typically nationally or regionally focused, with some exceptions. Its customers are major automotive OEMs, including the Volkswagen group (which includes the Volkswagen, Audi, Porsche and SEAT brands), Hyundai Group, BMW, Daimler, Ford Motor Company and Renault-Nissan, which together accounted for 69% of SMR’s revenue for the fiscal year ended March 31, 2016.

SMP is a global tier 1 supplier whose largest customers are automotive OEMs, with a particular emphasis on the high-value premium segment. SMP's largest customers include the Volkswagen group (which includes the Volkswagen, Audi, Porsche and SEAT brands), Daimler and BMW, which together accounted for 94% of SMP's revenue for the fiscal year ended March 31, 2016.

Our OEM customers maintain lists of approved suppliers to source their automotive components on a global, regional and sometimes country-specific basis. Suppliers must satisfy stringent assessment criteria established by OEMs and must possess various global accreditations. Whereas historically OEMs prioritized price competitiveness and quality assurance in assessing prospective suppliers, the increasing outsourcing of design and engineering functions as well as the localization of vehicle production have placed greater demands on suppliers which have necessitated the application of a more holistic set of criteria. OEMs now assess potential suppliers using criteria that include supplier reliability, research and development capabilities, cost-competitiveness, financial stability and the supplier's ability to match the OEM's production footprint. We seek to achieve strong alignment in these areas in an effort to foster strategic relationships with OEMs, which can create barriers to entry for new entrants and long-term order book stability for suppliers that do develop strategic relationships. SMR and SMP have established such "strategic supplier partner" relationships with all of their main global OEM customers. We believe that these strategic relationships have enabled us to maintain a strong track record of repeat orders, which track record is further supported by the high supplier switching costs for OEMs. As a result of strong growth both within and beyond our established customer relationships, the total number of OEM vehicle programs and model derivatives that we supply has increased significantly from 289 in the fiscal year ended March 31, 2012 to approximately 600 in the fiscal year ended March 31, 2016, with OEM contracts booked to supply to approximately 650 vehicle programs and model derivatives in the fiscal year ended March 31, 2017.

Supply and Sourcing of Materials

Purchases of raw materials and pre-constructed components for the manufacture of our products, plus the associated manufacturing costs, account for a significant portion of our overall expenditure. Our total cost of materials consumed represented 65.9%, 66.7% and 64.1% of our revenues, respectively, for the fiscal years ended March 31, 2014, 2015 and 2016. During the fiscal year ended March 31, 2016, SMR's largest purchases of raw materials and pre-constructed components included actuators, vision systems, wire harnesses and resins. During the fiscal year ended March 31, 2016, SMP's largest purchases of raw materials and pre-constructed components included electrical parts, plastic parts, resins and decorative finishing materials. To the extent possible, we seek to source our raw materials and pre-constructed components from in-house sourcing options as well as through other companies within SMG. For instance, SMR sources wire harnesses and a portion of its demand for actuators and SMP sources various plastic parts from other SMG companies.

Certain of our inputs, such as resins (ABS and polypropylene) and die-cast metal parts (mainly aluminum and zinc) are subject to fluctuations in commodity prices. Commodity prices are influenced by, among other factors, changes in global economic conditions, industry cycles, demand-supply dynamics, attempts by individual producers to capture market share and speculation in the market. Although we generally agree on the prices of our automotive components with our customers in advance, we seek to negotiate adjustments to the prices of our products to account for changes, whether positive or negative, in our own cost structure, so far as they relate to raw material costs. Our customer contracts typically contain provisions relating to raw materials and pricing, and in cases of some specialized components our customers may specify materials and agree the pricing with a specified supplier. As a result, we are exposed to a low level of price risk on raw materials, as we are typically able to pass through the cost of any price changes to our customers. See "*Risk Factors—Risks Relating to Our Business—Volatility in the prices of raw materials or pre-constructed components on which we rely could adversely affect our results of operations and cash flows.*"

Rear View Vision Systems

SMR purchases a variety of raw materials and pre-constructed components, which it uses in the manufacture of its final products. As a percentage of SMR's revenue, total cost of materials comprised approximately 64.3%, 64.9% and 64.1% for the fiscal years ended March 31, 2014, 2015 and 2016, respectively. These include EC glass, actuators, resins, paints and metal parts (specifically aluminum and zinc). Due to the small overall share of metal components in SMR's finished products, there is negligible commodity risk, and a majority of SMR's global commodity raw material exposure is recoverable through indexing agreements included in customer contracts.

SMR works with a diversified group of approximately 1,200 suppliers worldwide. Approximately 5% of these third-party suppliers are nominated by SMR's OEM customers. SMR has identified certain suppliers as its "preferred" suppliers, based on their experience and record of executing previous orders. All of these suppliers are evaluated on a continuous basis to ensure the expected level of performance. SMR's key component suppliers include Mirror Controls International B.V., Gentex Corporation, MSSSL and Sony Corporation. SMR enters into long-term supply contracts with its key suppliers for a majority of its commodity sourcing both on a global and regional basis. As of March 31, 2016, SMR's largest supplier accounted for approximately 7% of its total cost of materials by value, and its top ten suppliers accounted for approximately 35% of its total cost of materials by value. SMR has vertically integrated its supply chain by developing in-house capabilities to produce certain key supplies, which provide significant quality control and cost control advantages, enhanced supply stability and shorter lead times in development and delivery. In addition, SMR sources materials from other SMG companies on an arm's-length basis, including wire harnesses, plastic parts, actuators and power-folds, glass, lighting assemblies and precision metal parts. See "*Risk Factors—We depend on our suppliers, some of whom are our competitors, for the supply of raw materials and components that are critical to our manufacturing processes.*"

Interior and Exterior Modules

The interior and exterior plastic components business requires a variety of raw materials, paints and components for the manufacture of final products. The major raw materials required in the plastic components business are polypropylenes, polycarbonates and various grades of nylons and resins. These include decorative materials (leather, textile and foils), chrome, fasteners, electronics, electrical parts, die-casting, plastic and metal parts. As a percentage of SMP's revenue, total cost of materials comprised 66.8%, 67.7% and 64.1% for the fiscal years ended March 31, 2014, 2015 and 2016, respectively.

SMP works with a diversified group of 479 suppliers worldwide. Approximately 64% of these third-party suppliers are nominated by SMP's OEM customers, and supply disruption and cost inflation risks are often covered by the customer following periodic or at-will contractual reviews. SMP has identified certain suppliers as its "preferred" suppliers based on their experience and record of executing previous orders. It evaluates these suppliers on a continuous basis to ensure the expected level of performance. SMP enters into long-term supply contracts with its key suppliers for the majority of its commodity sourcing, both on a global and a regional basis. As of March 31, 2016, SMP's top ten suppliers accounted for approximately 33% of its total cost of materials by value. SMR has vertically integrated its supply chain by developing in-house capabilities to produce certain key supplies, which provide significant quality control and cost control advantages, enhanced supply stability and shorter lead times in development and delivery. In addition, SMP sources materials from other SMG companies on an arm's length basis, including injection-molding parts that are essential to our production processes. See "*Risk Factors—We depend upon our suppliers, some of whom are our competitors, for the supply of raw materials and components that are critical to our manufacturing processes.*"

Intellectual Property

Our proprietary know-how and other intellectual property acquired through our many years of experience is a key asset. We do not believe we hold any single intellectual property that is material to our operations as a whole, but, instead, believe that it is the combination of our patents, trademarks, trade secrets and know-how (*i.e.* our intellectual property as a whole) that creates an advantage for the business. We seek to protect our intellectual property through various means.

As of March 31, 2016, SMR held 658 registered patents and had 135 filed patent applications pending in relation to its rear view vision systems business. It also held 15 registered utility models as of March 31, 2016. The patent portfolio includes patents related to turn signals in exterior mirrors, interior mirrors with multiple functions, LIN-bus systems in exterior mirrors, camera-based blind spot detection systems, light guide style turn signals, side looked LED turn signals, combined power telescopic and power folding systems, plastic glass, mirror scalps and bayonet mounts.

As of March 31, 2016, SMP held 280 registered patents and had 42 filed patent applications pending in relation to its interior and exterior modules business. It also held 30 registered utility models as of March 31, 2016. SMP has focused its patent efforts on composite technologies, passenger

airbag integration solutions, plastic replacement of metal exterior parts, lightweight construction techniques, pedestrian protection and one-step manufacturing. SMP currently holds patents for various addition products and processes, including slush-molding, physical foaming, surface machining of tools and molds and others.

Our know-how, other information and intellectual property is also protected by trade secrets and through non-disclosure agreements with employees. We therefore rely on these confidentiality obligations not being breached for the continued protection of such information. In addition, we have a number of proprietary products with registered designs and trademarks. See *“Risk Factors—Risks Relating to Our Business—The success of our newly designed products and other innovations depends in part on our ability to obtain, protect and leverage intellectual property rights to our designs and we cannot assure you that we will develop sufficient new revenue streams to replace revenue streams that may diminish as our current intellectual property rights expire.”*

Principal Establishments

We own most of our production facilities in our core geographies, which we believe allow us to better serve our customers in a timely and cost-effective manner. Each facility that we have built has been built with the strategic aim of optimizing capital investment, manufacturing and freight costs, the procurement of raw materials and the availability of local staff to meet customer needs. The table below sets out selected information on the principal owned and leased establishments on March 31, 2016.

<u>SMR Location</u>	<u>Site Area (square meters)</u>	<u>Main uses</u>	<u>Owned/Leased</u>
		<i>SMR</i>	
Stuttgart, Germany	5,125	Division headquarters, engineering and sales center	Leased
Bangalore, India	1,147	Assembly	Leased
Chennai, India	7,090	Assembly, painting and glass manufacturing	Owned/Leased ⁽¹⁾
Nashik, India	297	Final assembly and quality control	Leased
Noida (Delhi), India	2,768	Assembly	Leased
Pune, India	2,698	Assembly	Owned
Marysville, MI, USA	94,729	Injection molding, painting and assembly	Owned/Leased ⁽¹⁾
Louisville, KY, USA	6,348	Assembly	Leased
Chongqing, China	15,000	Injection molding, painting and assembly	Leased
Yancheng, China	5,616	Assembly	Owned
Langfang, China	15,000	Injection molding, painting and assembly	Owned
Ningbo, China	17,866	Injection molding, painting and assembly	Owned/Leased ⁽¹⁾
Mosonszolnok, Hungary	16,199	Injection molding, painting and assembly	Owned
Mosonmagyaróvár, Hungary	15,009	Injection molding, painting and assembly	Owned
Hegyeshalom, Hungary	9,423	Warehouse	Leased
Nagoya City, Japan	200	Engineering and sales	Leased
Yokohama, Japan	200	Engineering and sales	Leased
Bucheon, South Korea	4,615	Injection molding and actuator assembly	Owned
Bucheon, South Korea	906	Engineering center	Leased
Oochang, South Korea	22,431	Injection molding, painting, glass manufacturing and assembly	Owned
Adelaide, Australia	17,558	Injection molding, painting and assembly	Owned
Jaguariuna, Brazil	6,892	Injection molding, painting and assembly	Owned
Danmarie-Les-Lys, France	16,000	Injection molding and assembly	Owned
San Luís Potosí, Mexico	10,358	Injection molding, painting and assembly	Owned
Epila, Spain	23,936	Injection molding, painting and assembly	Owned
Rayong, Thailand	10,400	Injection molding, glass manufacturing and assembly	Owned
Portchester, UK	17,052	Injection molding and assembly	Owned/Leased ⁽¹⁾
San Luís Potosí, Mexico	17,514	Warehouse and assembly	Leased
Noida (Delhi), India	8,361	Assembly line and paint shop	Owned

(1) Represents sites that are partially owned and partially leased, such as certain sites consisting of multiple facilities or sites where facilities are owned but underlying land is leased due to local laws.

<u>SMP Location</u>	<u>Site Area (square meters)</u>	<u>Main uses</u>	<u>Owned/Leased</u>
		<i>SMP</i>	
Bötzingen, Germany	116,958	Division headquarters and production of door panels, instrument panels and other parts	Owned
Emden, Germany	12,966	Module center	Leased
Gifhorn, Germany	12,510	Engineering center	Owned
Göttingen, Germany	68,035	Production of bumpers and other parts	Owned
Ingolstadt, Germany	8,000	Module center	Leased
Leipzig, Germany	2,900	Module center	Leased
Meerane, Germany	52,200	Production of door panels, instrument panels and other parts	Owned
Michelau, Germany	246,836	Division headquarters, engineering and sales center, injection, extrusion molding, painting and assembly	Owned
Munich, Germany	280	Sales office	Leased
Schierling, Germany	7,000	Production of bumpers and other parts	Owned
Böblingen, Germany	6,445	Module center	Leased
Neustadt, Germany	187,000	Production of bumpers and other parts	Owned
Offenau, Germany	9,774	Module center	Leased
Oldenburg, Germany	89,000	Production of bumpers, door panels and other parts	Owned
Puebla, Mexico	12,966	Injection, extrusion molding, painting and assembly	Owned/Leased ⁽¹⁾
Castellbisbal, Spain	47,272	Production and assembly of door panels	Leased
Martorell, Spain ⁽¹⁾	18,400	Assembly of cockpit modules	Owned by SEAT
Palencia, Spain	46,849	Production of bumpers, dashboards and other parts	Owned
Polinyà, Spain	54,024	Production of bumpers, dashboards and other parts, and assembly of bumpers and other parts	Owned/Leased
Teruel, Spain	43,373	Production of bumpers and other parts	Owned
Atibaia, Brazil	15,145	Production of bumpers and spoilers	Leased
Curitiba, Brazil	36,925	Production and distribution of bumpers and spoilers	Leased
Taubate, Brazil	8,920	Module center	Leased
São Bernardo, Brazil ⁽¹⁾	3,000	Module center	Owned by VW
Bratislava, Slovakia	2,780	Module Center	Leased
Galanta, Slovakia	16,571	Production of door panels, instrument panels and other parts	Leased
Holic, Slovakia	13,100	Leather lamination	Leased
Changchun, China	83,218	Production of door panels and other interior parts	Owned
Foshan, China	19,654	Production of door panels and other interior parts	Owned
Tlaxcala, Mexico	194,434	Production of bumpers, door panels and other plastic parts	Owned
Puebla, Mexico	43,596	Production of bumpers, door panels and other plastic parts	Leased
Palmela, Portugal	15,628	Module assembly and injection molding of bumpers and other parts	Leased
Paintyres, Portugal	8,619	Painting facility	Leased
CEFA, Zaragoza, Spain	16,641	Production of instrument panels and hang on parts	Owned
MRA, Figueireulas, Zaragoza, Spain	17,218	Production of instrument panels, door panels and hang on parts	Leased
Kecskemét , Hungary	96,000	Production and supplies of bumpers	Owned
Tuscaloosa , USA	402,000	Production and supplies of indoor panels M, bumpers, claddings, roof spoilers and running boards	Owned

(1) These facilities are owned by certain subsidiaries of the Volkswagen group and under our customer agreements with these entities, no rental payments are required in connection with our operation of such facilities.

Quality Control

The quality of our products is of critical importance to our business. All of our products undergo rigorous internal qualification processes to ensure that high quality products are being provided to customers. The assembly processes of SMR and SMP are subjected to in-process controls, post-process checks, regular product and process audits and 100% functionality tests after assembly and prior to shipping. We assess the quality of our products by tracking defects in parts per million (“PPM”), a standard metric in the automotive parts industry, and continuously seek means of improving quality while maintaining our operating efficiencies.

We also require our suppliers to undergo a qualification or certification process to ensure the quality of materials supplied to us. We measure individual and departmental quality metrics. We collaborate with key customers to evaluate and improve existing arrangements, secure key partnerships and confirm the compliance of our manufacturing processes with the customer’s quality standards. In addition, we regularly monitor and analyze customer satisfaction feedback.

Employees

On March 31, 2016, we had a total of 17,237 full-time employees, 1,350 part-time and temporary employees and 3,786 contract employees. From time to time, we employ temporary staff to meet the demand for our products.

The following table sets out the total number of persons employed by us as at the dates indicated by activity.

	As of March 31,		
	2014	2015	2016
SMR⁽¹⁾			
Executive	60	50	36
Management	125	135	162
Finance and controlling	133	132	139
Information technology	42	47	51
Human resources and environmental, health and safety	102	99	114
General administration	27	54	34
Sales and marketing	89	88	82
Engineering and R&D	384	404	433
Validation	64	60	61
Production support	234	202	224
Purchasing	112	134	128
Quality control	571	746	800
Logistics	622	699	802
Manufacturing	5,350	5,450	5,925
Maintenance	182	201	210
Tool room	91	104	108
Total for SMR	8,188	8,605	9,309
SMP⁽¹⁾			
Executive	29	31	30
Management	180	232	246
Finance and controlling	141	169	180
Information technology	34	46	43
Human resources and environmental, health and safety	97	253	104
General administration	80	87	99
Sales and marketing	55	106	131
Engineering and R&D	338	441	535
Validation	16	29	31
Production support	145	263	317
Purchasing	87	109	135
Quality control	525	589	601
Logistics	1,097	1,303	1,360
Manufacturing	6,632	8,250	8,443
Maintenance	421	589	621
Tool room	67	195	189
Total for SMP	9,944	12,692	13,065
Total SMRPBV	18,132	21,297	22,373

(1) These totals include contract workers as well as part-time and temporary workers. As of March 31, 2016, SMR employed 2,381 contract workers and 106 part-time or temporary workers, SMP employed 1,405 contract workers and 1,244 part-time or temporary workers.

Our temporary employees are typically employed under fixed-term contracts, generally of up to twelve months in duration, and we employ a significant number of employees based on leasing contracts, which are day to day to maintain operational flexibility.

We cooperate with local trade unions and work councils in countries where trade unions and/or work councils are active. In these jurisdictions we normally have framework agreements, tariff contracts or other general agreements in place, which are agreed through discussions with the works councils and under consideration of local labor laws. These agreements govern, among other things, working conditions, working hours and the definition of tariff groups. These agreements can be negotiated for a limited or unlimited term, and can be cancelled by either party in favor of renegotiation. There have been no material labor disputes in the past five years between us and our employees although we are affected by collective bargaining and pay discussions between national unions and governments.

SMR has collective bargaining agreements with trade unions in Mexico, Brazil, France, Australia, South Korea and Spain. In Hungary and China (SMR NBHX and SMR Yancheng), we have trade union involvement but do not operate under collective bargaining arrangements. In Germany, we have works council agreements in the framework of the Tariff system. There have been two minor work stoppages due to pay-related disputes over the past five years, a three-day work stoppage at SMR's Beijing facility and a one-day work stoppage at SMR's Langfang facility. Both work stoppages arose over wage rates and were amicably resolved, in July 2012 and January 2014, respectively. See "*Risk Factors—Agreements with unions or works councils could reduce our ability to manage our cost base and cause labor unrest or work stoppages at our facilities.*"

Corporate social responsibility

We have undertaken several corporate social responsibility programs, including aiding underprivileged children and promoting the education of girls. Such programs are associated with several non-governmental organizations and institutions dedicated to primary education and development of underprivileged girls. They also provide support to organizations that care for children without adequate parental care and those in difficult circumstances, and to a non-governmental organization that is run for the benefit of special children. They provide need-based scholarships to underprivileged children and support orphanages and old-age homes.

Information Technology

We believe that our modern and reliable IT infrastructure is the backbone that enables an efficient business model. Some of the major components of this landscape include, among other systems, core systems such as enterprise resources planning software, supply chain management applications, quality management systems, unified communication systems, e-mail, global communication and data networks and state-of-the-art data center facilities. This standard set of IT systems is used widely in our industry.

SMR works with MIND to identify and deploy key technology and business process enhancements, thereby ensuring efficient and reliable operations. In addition, MIND undertakes machine integration projects for enhanced shop floor automation in an effort to optimize production processes and resource planning. It also implements RFID-based solutions to track shipments and improve warehouse management. Besides providing round-the-clock offshore technical support to global operations, MIND also undertakes regular technology reviews of SMR to ensure disaster recovery mechanisms and business continuity. Furthermore, MIND provides back office services to certain companies within SMR.

SMP's main IT applications are SAP enterprise software and logistics modules and the product lifecycle management system, Siemens Teamcenter. IT services for SMP's Spanish and Latin-American divisions are mainly sourced in-house. SMP enters into standard service-level agreements with all business-critical service providers. SMP continuously seeks to optimize its IT functions, and is currently working with MIND to investigate whether certain outsourced services can be in-sourced, standardized into group-wide policies and procedures and subsequently leveraged as knowledge bases

for SMG. See *“Risk Factors—Any delay in the implementation or failure in the operation of our information systems could disrupt our operations and cause an unanticipated increase in costs.”*

Insurance

We maintain insurance policies on our production facilities, buildings, machinery and inventories, business interruption and damage due to fire, earthquakes, floods and other natural disasters, as well as primary and excess combined liability, personal accident coverage and product liability coverage. In addition, we also maintain insurance policies covering travel and life, director’s and officer’s liability, employer liability, general liability and policies that provide coverage for risks during the shipment of products. We are not insured against consequential damages, environmental damages, terrorist acts and war related events. In addition, where we negotiate contracts, we generally do not accept liability for product recalls in the context of our customer contracts. Consequently, we do not elect to purchase insurance against product recall risk. See *“Risk Factors—Risks Relating to Our Business—Our business exposes us to potential liabilities that may not be covered by insurance.”*

We believe that our insurance coverage is in accordance with industry custom, including the terms of and the coverage provided by such insurance. Our policies are subject to standard limitations and, in the case of business interruption insurance, among other things, limitations apply with respect to the length of the interruption covered and the maximum amount that can be claimed. Therefore, insurance might not necessarily cover all losses incurred by us and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies.

Litigation

We are currently not involved in, nor are we aware of, any other pending or threatened, legal or administrative proceedings that we would reasonably expect to have a material adverse effect on our financial condition or results of operations. From time to time, however, we are involved in legal and administrative proceedings incidental to our business, including various proceedings instituted by governmental authorities arising under the provisions of applicable laws or regulations. The outcome of legal proceedings can be extremely difficult to predict with certainty and we can offer no assurances that any such proceedings will not have a significant effect on our business. In addition, we are currently subject to tax audits and tax reviews in the various jurisdictions in which we operate. See *“Risk Factors—Risks Relating to Our Business”*.

REGULATION

We are subject to a variety of laws, rules and regulations regarding the protection of the environment, employee health and safety and the handling of hazardous materials. We treat the management of environmental and health and safety matters as high priorities.

We believe that we are in compliance in all material respects with all environmental and health and safety laws, rules and regulations applicable to the business and have all material environmental permits and licenses required for our operations.

Environment

Our manufacturing processes use certain hazardous substances. Accordingly, we are subject to a variety of environmental laws and regulations in each of the jurisdictions in which we operate that govern, among other things, the emission of pollutants into the air, wastewater discharge, the storage, use and handling of hazardous substances, waste disposal, the investigation and remediation of soil and ground water contamination and the health and safety of employees. For example, SMR, SMP and SMIA are subject to the Registration, Evaluation, Authorization and Restriction of Chemicals, an EU regulation imposing certain reporting requirements on companies regarding the production and use of certain chemical substances. SMR, SMP and SMIA are in material compliance with REACH. See *“Risk Factors—Risks Relating to Our Business—Our operations are subject to environmental and health and safety laws and other government regulations which could result in material liabilities in the future.”* We are required to obtain and periodically renew permits or licenses for industrial operations that result in the discharge of water as well as the use and handling of waste and other hazardous materials. Such permits and licenses establish limitations and standards with respect to the operations that require compliance. Most of our primary production facilities are certified to ISO 9001 and/or 14001.

We have established environmental policies with respect to the handling of chemicals, gases, emissions and waste disposals from our manufacturing operations and have not been party to any material environmental claims in the past. We are not currently involved in any material litigation or disputes in connection with our environmental compliance.

Health and Safety

Employee health and safety is of great importance to us. We take a decentralized and localized approach to implementing and managing our health and safety processes. Owing to the high degree of variation among local health and safety regulations, our policies are implemented and managed at the local level, generally by a designated health and safety officer who implements SMG’s groupwide health and safety objectives by developing specific management systems and protocols appropriate to the particular division, while following overall corporate guidance. These health and safety processes are implemented locally by plant management, and the results are reviewed by the local health and safety officer and local health and safety committee on a periodic basis.

We continuously assess the adequacy of our health and safety processes by tracking the number of lost time injuries (“**LTI**”) and total hours lost due to such incidents across our global operations. Manufacturers with established safety systems generally aim to maintain an LTIFR under 10.0, with a lost time incident frequency rate (“**LTIFR**”) of 5.0 considered “strong” performance and an LTIFR at or below 1.0 considered global best practice. In this context, we believe that our overall LTIFR of under 5.0 demonstrates of the effectiveness of our health and safety policies but continuously assess our practices in an effort to increase our performance.

As part of the product development process, we endeavor to design products that are compliant with relevant health and safety standards applicable to our customers and the intended use of the product. See *“Risk Factors—Our operations are subject to environmental and health and safety laws and other government regulations which could result in material liabilities in the future.”*

MANAGEMENT

Management

The Issuer is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) incorporated under the laws of the Netherlands, and is an entity indirectly owned by MSSL and SMIL.

The Issuer has in place a two-tiered board structure consisting of separate management and supervisory boards. The management board consists of four managing directors and the supervisory board consists of five supervisory directors.

Management Board

The management board of the Issuer (“**Board**”) consists of four managing directors and is responsible for managing the Issuer in accordance with applicable laws, constitutional documents and resolutions of the shareholders. The principal functions of the management board are to carry out the day-to-day business of the Issuer and to legally represent the Issuer in its dealings with third parties, while maintaining high standards of corporate governance and corporate responsibility.

The persons set forth below are the managing directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Laksh Vaaman Sehgal	33	Managing Director and Chairman and Chief Executive Officer—Issuer
Andreas Heuser	50	Managing Director and Head of Corporate Office, Europe and the Americas—SMG
Jacob Meint Buit	68	Resident Managing Director
Randolph M. Th. de Cuba	62	Resident Managing Director

Supervisory Board

The supervisory board (*raad van commissarissen*) of the Issuer consists of five supervisory directors. The duties of the supervisory board are to supervise the Board’s policy and course of action and to supervise the general conduct of the affairs of the company and any business it may be affiliated with. The supervisory board assists the Board in an advisory capacity. The supervisory directors have to carry out their duties in the interest of the company and any business it may be affiliated with. The supervisory board is furthermore charged with all the duties entrusted to it by Dutch law and by the constitutional documents of the Issuer.

The persons set forth below are the supervisory directors.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Vivek Chaand Sehgal	59	Supervisory Director and Chairman—SMG
Bimal Dhar	63	Supervisory Director and Chief Executive Officer—SMP
Cezary Zawadzinski	45	Supervisory Director and Chief Operating Officer—SMR
Kunal Malani	39	Supervisory Director and Head of Strategy—SMG
G.N. Gauba	55	Supervisory Director and Chief Financial Officer—MSSL

Mr. Vivek Chaand Sehgal is a supervisory director of the Issuer and Chairman of SMG, and has been a supervisory director since June 2014. Mr. Sehgal established Motherson in 1975 and Motherson Sehgal Cables in 1977. In 1983, he entered into a technical collaboration with Tokai Electric Co. (now Sumitomo Wiring Systems Limited (“**SWS**”)) and in 1986 entered into a joint venture with SWS to form MSSL. He is a director and chairman of MSSL and holds directorships in multiple SMG companies.

Mr. Laksh Vaaman Sehgal is a managing director and Chief Executive Officer of the Issuer, and has been a director since June 2014 and is responsible for strategic planning and decision making for the Group. Prior to his appointment as chief executive officer, he served as the chief executive officer of SMR following its acquisition in 2009 until 2013. He is also a director of SMIL, a position he has held since 2004. In his capacity as Chief Executive Officer of the Issuer, he is actively involved in the

Group's investment decisions and its strategic decision-making process, and helps to define and manage the Group's overall control policies. Mr. Vaaman Sehgal holds a Bachelor of Business Administration from Boston University and a Masters in Finance from Columbia University.

Mr. Bimal Dhar is a supervisory director of the Issuer, and has been a supervisory director since June 2014. He has over 30 years of experience in the automotive industry, serving in a variety of engineering and management roles. He served as a senior engineer responsible for design and development at Scooters India Limited from 1976 to 1983 and as a senior manager in Maruti Udyog Limited from 1983 to 1991, where he oversaw engineering and vendor development functions. He was also Director of Operations responsible for engineering and manufacturing operations at Britax Brylite Pty Ltd. from 1991 to 1996 and Managing Director at A Basic Concept Designs Pty Ltd. from 1996 to 2002. He also currently serves on the board of MAS Middle East Ltd. (FZE), a business processes consulting firm. Mr. Dhar also holds directorships at various companies, including SMIL, SMGH, SMIL Mauritius and SMIA.

Mr. Andreas Heuser is a managing director of the Issuer and Head of Corporate Office (Europe & Americas) of SMG, and has been a director since October 2011. Mr. Heuser started at the Woco Group Companies, where he assisted the Chairman with a range of business affairs from 1995 to 2000. He then served as an executive board member of Woco Group of Companies, in which role he was responsible for all legal, human resources and business development matters from 2000 to 2005. Mr. Heuser then joined SMG as the Head of its European corporate office, and in 2009 became responsible for SMR Automotive Mirrors Stuttgart GmbH. Mr. Heuser also currently serves as a director of SMP and SMIA.

Mr. Gaya Nand Gauba is a supervisory director of the Issuer and has been a supervisory director since June 2014. He also currently serves as Chief Financial Officer of MSSL. Mr. Gauba joined MSSL in 1997, and has accumulated over 34 years of experience in finance, accounting and taxation working at various companies in India. He also holds directorships in various SMG companies. Mr. Gauba is an Associate Member of the Institute of Cost and Works Accountants of India and an Associate Member of the Institute of Company Secretaries of India. Mr. Gauba holds a Bachelor of Commerce (Honours) and a Master of Commerce from the University of Delhi.

Mr. Kunal Malani is a supervisory director of the Issuer and head of the Strategic Team of SMG, and has been a director since October 2014. Mr. Malani has 15 years of experience in banking and consulting roles, including positions with Merrill Lynch and India Infoline prior to joining SMG in 2013. Mr. Malani received a Bachelors of Commerce with honors from Calcutta University and completed a postgraduate program in Management at the Indian School of Business. He is a member of the Institute of Chartered Accountants of India.

Mr. Cezary Zawadzinski is a supervisory director of the Issuer and Chief Operating Officer of SMR, and has been a supervisory director since June 2014. He has been with SMR for 13 years and has 23 years of experience in the automotive industry. He holds a Bachelor of Engineering (Metallurgy) from Akademia Gorniczo Hutnicza, Poland and a Bachelor of Administration from Wyzsza Szkola Zarzadzania, Poland.

Mr. Jacob Meint Buit is an independent local resident managing director of the Issuer, and has been a director since the Issuer's incorporation in 2011. After studying economics and tax law in Amsterdam, Mr. Buit joined the tax law firm of Loyens & Loeff in 1974, where his practice focused on international corporate matters. Mr. Buit practiced at Loyens & Loeff for a total of 28 years, including 18 years as a partner and an additional 2 years as counsel, until leaving the firm in 2001. Mr. Buit is a member of various non-profit, supervisory and corporate boards, including serving as a director of Fiat Netherlands Holding N.V., with which he has been affiliated since 2002.

Mr. Randolph M. Th. de Cuba is the managing director of the Issuer is an independent local resident managing director of the Issuer and has been a director since June 2015. After studying law and economics in Rotterdam Mr. de Cuba joined PwC in 1980 as a tax professional, where his practice focused on international corporate tax matters. Mr. de Cuba's tenure at PwC was 32 years, including 26 years as a partner. Mr. de Cuba is an independent consultant and holds directorships on various corporate boards.

Mr. Vipin Jain is the Chief Financial Officer of the Issuer. He also currently serves as Chief Financial Officer of SMP. Mr. Jain also served as Chief Financial Officer for SMR from 2010 to 2014. Mr. Jain joined SMG in June 1999 and has accumulated experience of over 24 years of experience in

finance, accounting and taxation. Mr. Jain is a Fellow member of The Institute of Chartered Accountants of India. He holds a Bachelor of Commerce (Honours) from University of Delhi.

The senior managers listed above are considered relevant to establish that we have the appropriate expertise and experience for the management of its business. Each senior manager holds such position under a formal or informal employment contract or employment terms of reference, as applicable, with no defined term. Across our Group, succession plans have been put in place to ensure the seamless continuation of management of our business. The Issuer is not aware of any potential conflicts of interest between the duties of the persons listed under the management board or the supervisory board above and their private interests or other duties.

Board committees

Pursuant to the Issuer’s articles of association, the Board manages the business and affairs of the Issuer. The Board may do all lawful acts and things which are not conferred upon or reserved to the members of the Issuer by the articles of association, the Member’s Regulation, the Members’ Agreement or mandatory provisions of applicable law.

Senior Management Committee

The Senior Management Committee is tasked with the identification and realization of synergies and cross-selling opportunities across the Group. The Senior Management Committee is comprised of members of the Board as well as senior management personnel from each of SMR, SMP and SMG .

Senior Management

SMR

The persons set forth below are the current members of senior management of SMR not described in “—*Management Board*” and “—*Supervisory Board*” above.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Appointment</u>
Rajan Batra	40	Executive Vice President—Group Finance	October 1, 2014
Barrie Painter	47	Executive Vice President—Global Sales	October 1, 2009

SMP

The persons set forth below are the current members of senior management of SMP not described in “—*Management Board*” and “—*Supervisory Board*” above.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Appointment</u>
Vipin Jain	48	Chief Finance Officer	October 1, 2014
Dr. Andreas Siebert	49	Chief Operating Officer	February 1, 2015
Moritz Gerig	57	Chief of Sales & Engineering	December 1, 2014
Andreas Kunz	57	Chief Operating Officer—SMIA	February 1, 2015
Axel Berke	40	Chief Finance Officer—SMIA	May 1, 2014

Code of conduct

SMG maintains a uniform code of conduct which is implemented throughout SMG and which binds all officers, directors and employees.

Compensation paid to our senior management

Basic salary for senior management takes into account the responsibilities and performance of the individual. Salary levels are set with reference to relevant market compensation packages at companies of comparable size and complexity.

Shareholder Agreement

The two principal shareholders of the Issuer, SMGH and SMPL, executed a Shareholder Agreement on July 8, 2014 containing the terms and conditions relating to the governance and control of the Company. See “*Certain Relationships and Related Party Transactions—Shareholder Agreement.*”

PRINCIPAL SHAREHOLDERS

We have issued share capital of €90,000, comprised of 90,000 ordinary shares with a par value of €1 per share, being fully paid up. The following table sets forth certain information concerning the significant shareholders with a notifiable interest of our ordinary shares on June 2, 2016.

<u>Name of shareholder</u>	<u>Number of shares owned</u>	<u>Percentage of shares owned</u>
Samvardhana Motherson Global Holdings Ltd. (SMGH) ⁽¹⁾	45,676	69.02%
Samvardhana Motherson Polymers Ltd. (SMPL)	20,500	30.98%

(1) Pursuant to a share purchase agreement dated April 12, 2014, SMGH was allotted 45,676 ordinary shares of the Issuer in exchange for the transfer of 2,997,723,339 shares with a par value of €0.01 each, representing 98.45% of the total outstanding share capital in SMR Jersey.

The share capital of SMGH is indirectly owned by MSSL (51%) and SMIL (49%) and the share capital of SMPL is owned directly by MSSL (51%) and SMIL (49%). MSSL is a publicly listed company on the Bombay Stock Exchange, under the identifier “517334,” and National Stock Exchange of India, under the symbol “MOTHERSUMI,” and had a market capitalization of \$5.7 billion as of the date of this Offering Memorandum. MSSL is owned by SMIL (37%), Sumitomo Wiring Systems Limited (26%), outside investors (34%) and the Sehgal family (3%). SMIL is owned by the Sehgal family (91%), Sojitz Corporation (6%) and certain employees and management (3%).

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the course of our ordinary business activities, we may from time to time enter into agreements with or render services to related parties. In turn, such related parties may render services or deliver goods to us as part of their business. Purchase and supply agreements between subsidiaries and affiliated companies and with associated companies or shareholders of such associated companies are entered into from time to time within the ordinary course of business.

We believe that all transactions with affiliated companies are negotiated and conducted on a basis equivalent to those that would have been achievable on an arm's-length basis, and that the terms of these transactions are comparable to those currently contracted with unrelated third party suppliers, manufacturers and service providers.

Shareholder Agreement

We entered into a shareholder agreement with SMPL and SMGH, our principal shareholders (the “**Existing Shareholders**”), on July 8, 2014 (the “**Shareholder Agreement**”). The Shareholder Agreement reflects the rights and obligations with respect to the governance and control of us by the Existing Shareholders.

The Shareholder Agreement provides that SMPL will own 31% of the Issuer and SMGH will own 69%. We will be managed by a board of directors consisting of no less than four and no more than ten directors, and the Existing Shareholders will have the power to appoint such directors in proportion to their respective shareholdings in the company. See “*Management.*”

The agreement also contains certain unanimity and majority requirements, providing that certain corporate actions may be taken only with the consent of a majority or all of the Existing Shareholders, as applicable. If we issue new shares in the future, the Existing Shareholders have a preemptive right to subscribe to such share issuance in proportion to their respective shareholdings in us. Shares not subscribed to by either Existing Shareholder may be issued to a third party with the approval of the Board.

Transfers of interest in the Issuer by either Existing Shareholder to a third party are generally restricted absent the consent of the other Existing Shareholder, which holds a right of first refusal. In addition, it provides a framework for the Existing Shareholders to terminate the Shareholder Agreement. Certain such actions may trigger change of control provisions under our Revolving Credit Facilities and Intercreditor Agreement. See “*Description of Certain Financing Arrangements.*”

Shareholder Loans

We have entered into several intercompany loan agreements in the past with our shareholders and affiliated companies. On March 31, 2014, the total amount outstanding under such shareholder loans was €56.1 million. These loans were repaid in full plus accrued interest to date on July 10, 2014.

On June 13, 2014, the Issuer acquired SMR from its two shareholders, MSSL and SMIL, which had owned SMR since March 6, 2009. We entered into a €12.3 million shareholder loan in connection with the acquisition. This loan was repaid in full plus accrued interest to date on July 10, 2014.

Transactions with Related Parties

Sales

In the normal course of our business, we make sales, including plastic granules, relays and raw materials we purchase from third parties, to affiliated companies, including our shareholders, other subsidiaries of the Issuer and certain of our joint ventures. In the years ended March 31, 2014, 2015 and 2016, our sales to affiliates amounted to €1.7 million, €4.9 million and €7.1 million, respectively.

Purchases

In the normal course of our business, we source a portion of raw materials and pre-constructed components required for the manufacture of our products from affiliated companies. In particular, we purchase wiring harnesses, certain small electrical components and plastic parts for use in the production of interior and exterior mirrors from our shareholder MSSL and its subsidiaries. We also purchase PCB for the production of mirrors from entities in which senior management personnel hold

significant influence. In the year ended March 31, 2014, our purchases from affiliates amounted to €59.5 million, including purchases from our shareholders in the amount of €19.2 million, purchases from other subsidiaries in the amount of €30.2 million and purchases from joint ventures/entities over which our joint venture partners hold significant influence amounted to €10.0 million. In the year ended March 31, 2015, our purchases from affiliates amounted to €105.4 million, including purchases from our shareholders in the amount of €27.5 million and purchases from other subsidiaries in the amount of €35.3 million and purchases from joint ventures/entities over which our joint venture partners hold significant influence amounted to €42.6 million. In the year ended March 31, 2016, our purchases from affiliates amounted to €112.1 million, including purchases from our shareholders in the amount of €31.2 million, purchases from other subsidiaries in the amount of €38.4 million and purchases from joint ventures/entities over which our joint venture partners hold significant influence amounted to €42.5 million.

Inter-corporate and security deposits taken

From time to time, we receive inter-corporate deposits from related parties, primarily in relation to intercompany loans and deposits from fellow subsidiaries, including affiliated companies and joint ventures of holding companies. In the fiscal years ended March 31, 2014, 2015 and 2016, we took total inter-corporate deposits in the amount of €50.3 million, €12.3 million and Nil million, respectively. In the years ended March 31, 2014, 2015 and 2016, we repaid inter-corporate loans in the amount of €16.0 million, €68.3 million and €0.2 million, respectively.

Inter-corporate and security deposits given

From time to time, we give inter-corporate and security deposits, to related parties primarily in the form of loans to fellow subsidiaries and shareholders. In the years ended March 31, 2014, 2015 and 2016, we gave total inter-corporate and security deposits in the amount of €6.5 million, €5.8 million and €0.2 million, respectively, primarily related to loans to fellow subsidiaries and affiliated companies. In the year ended March 31, 2014, 2015 and 2016, we received payments on intercompany and security deposits given in the amount of €6.5 million, €5.8 million and €0.3 million, respectively, primarily related to loans to fellow subsidiaries.

Miscellaneous Income and Expenses

Total miscellaneous income primarily includes interest income, income from the rendering of services, rental income and other miscellaneous income. Total miscellaneous expenses primarily includes travel and hospitality expenses, IT services, management services and other miscellaneous expenses. In the year ended March 31, 2014, we had miscellaneous income of €1.4 million, primarily related to fellow subsidiaries and shareholders and miscellaneous expenses in the amount of €6.2 million, primarily related to fellow subsidiaries and affiliated companies. In the year ended March 31, 2015, we had miscellaneous income of €2.3 million, primarily related to fellow subsidiaries and shareholders, and miscellaneous expenses in the amount of €4.4 million, primarily related to fellow subsidiaries and affiliated companies. In the year ended March 31, 2016, we had miscellaneous income of €3.8 million, primarily related to fellow subsidiaries and shareholders, and miscellaneous expenses in the amount of €7.5 million, primarily related to fellow subsidiaries and affiliated companies.

In addition, in the ordinary course of our business we contract with various affiliated entities to source certain products and services ancillary to our business, including advisory, IT and travel services. For example, our affiliate Motherston Air Travel Agencies Limited is an accredited travel agency which provides us various travel and hospitality-related services. Additionally, we have entered into various agreements with MIND for the procurement of IT services, software and other products. We also source corporate advisory services and internal audit functions and lease manufacturing and office space from our affiliate Motherston Automotive Limited.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of the material terms of certain financing arrangements to which we and certain of our subsidiaries are a party does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. For further information regarding our existing indebtedness, see “Use of Proceeds,” “Capitalization,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

2025 Notes

General

The Issuer issued €100,000,000 aggregate principal amount of 3.700% senior secured notes due 2025 (the “**2025 Notes**”) under an indenture dated as of June 18, 2015, as amended (the “**2025 Indenture**”), among the Issuer, each of the Guarantors, Deutsche Trustee Company Limited as trustee, Deutsche Bank AG, London Branch as paying agent, Deutsche Bank Luxembourg S.A. as a registrar and transfer agent and Wilmington Trust (London) Limited as security agent.

Interest Rates, Payment Dates and Maturity

The 2025 Notes bear interest at a rate of 3.700% per annum. Interest on the 2025 Notes is payable annually in arrear on June 18 of each year. The 2025 Notes will mature on June 18, 2016.

Security and Guarantees

The 2025 Notes are jointly and severally guaranteed by the Guarantors, and benefit from the same collateral as the Notes. See “*Description of Notes—Security.*”

Optional Redemption prior to June 18, 2025

At any time prior to July 18, 2025, upon not less than 10 nor more than 60 days’ notice, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of 2025 Notes at a redemption price of 100.0% of their principal amount thereof plus the Applicable Redemption Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, the date of redemption, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date.

At any time prior to June 18, 2025, upon not less than 10 nor more than 60 days’ notice, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes at a redemption price of 103.700% of their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date, with the proceeds from one or more Equity Offerings. The Issuer may only do this, however, if:

- (a) at least 65% of the aggregate principal amount of Notes that were initially issued would remain outstanding immediately after the proposed redemption; and
- (b) the redemption occurs within 120 days after the closing of such Equity Offering.

Covenants

Under the 2025 Indenture, the Issuer and its Restricted Subsidiaries are subject to certain covenants, which are substantially similar to the covenants that will be contained in the Indenture governing the Notes. See “*Description of Notes—Certain Covenants.*”

Events of Default

If any event of default under the 2025 Indenture occurs and is continuing, the trustee of the 2025 Notes or holders of at least 25% in aggregate principal amount of the 2025 Notes then outstanding may declare the principal of, premium, if any, any additional amounts and accrued interest on all of the outstanding 2025 Notes immediately due and payable by written notice to the Issuer. Upon the occurrence of certain events of default relating to insolvency, the principal of, premium, if any, additional amounts and accrued and unpaid interest on all of the outstanding 2025 Notes shall become and be immediately due and payable without any declaration or other act on the part of the trustee of the 2025 Notes or any holder of the 2025 Notes.

Governing Law

The 2025 Indenture, the 2025 Notes and the guarantees in respect thereof are governed by the laws of the State of New York.

2021 Notes

General

The Issuer issued €500,000,000 aggregate principal amount of 4.125% senior secured notes due 2021 (the “**2021 Notes**”) under an indenture dated as of July 10, 2014, as amended (the “**2021 Indenture**”), among the Issuer, each of the Guarantors, Deutsche Trustee Company Limited as trustee, Deutsche Bank AG, London Branch as paying agent, Deutsche Bank Luxembourg S.A. as a registrar and transfer agent and Wilmington Trust (London) Limited as security agent.

Interest Rates, Payment Dates and Maturity

The 2021 Notes bear interest at a rate of 4.125% per annum. Interest on the 2021 Notes is payable semiannually in arrear on January 15 and July 15 of each year. The 2021 Notes will mature on July 15, 2021.

Security and Guarantees

The 2021 Notes are jointly and severally guaranteed by the Guarantors, and benefit from the same collateral as the Notes. See “*Description of Notes—Security.*”

Optional Redemption prior to July 15, 2017 upon equity offering

At any time prior to July 15, 2017, upon not less than 10 nor more than 60 days’ notice, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of 2021 Notes at a redemption price of 104.125% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the redemption date, with the proceeds from certain equity offerings. The Issuer may only do this, however, if (i) at least 65% of the aggregate principal amount of the 2021 Notes that were initially issued remains outstanding immediately after the proposed redemption; and (ii) the redemption occurs within 120 days after the closing of such equity offering.

Optional Redemption prior to July 15, 2017

At any time prior to July 15, 2017, upon not less than 10 nor more than 60 days’ notice, the Issuer may redeem all or part of the 2021 Notes at a redemption price equal to 100% of the principal amount thereof plus the applicable “make-whole” premium and accrued and unpaid interest and additional amounts, if any, to the date of redemption.

Optional Redemption on or after July 15, 2017

At any time on or after July 15, 2017 and prior to maturity, upon not less than 10 nor more than 60 days’ notice, the Issuer may redeem all or part of the 2021 Notes at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest and additional amounts, if any, to the redemption date, if redeemed during the 12-month period commencing on July 15 of the years set forth below.

<u>Year</u>	<u>Redemption Price</u>
2017	102.06250%
2018	101.03125%
2019 and thereafter	100.00000%

Covenants

Under the 2021 Indenture, the Issuer and its Restricted Subsidiaries are subject to certain covenants, which are substantially similar to the covenants that will be contained in the Indenture governing the Notes. See “*Description of Notes—Certain Covenants.*”

Events of Default

If any event of default under the 2021 Indenture occurs and is continuing, the trustee of the 2021 Notes or holders of at least 25% in aggregate principal amount of the 2021 Notes then outstanding may declare the principal of, premium, if any, any additional amounts and accrued interest on all of the outstanding 2021 Notes immediately due and payable by written notice to the Issuer. Upon the occurrence of certain events of default relating to insolvency, the principal of, premium, if any, additional amounts and accrued and unpaid interest on all of the outstanding 2021 Notes shall become and be immediately due and payable without any declaration or other act on the part of the trustee of the 2021 Notes or any holder of the 2021 Notes.

Governing Law

The 2021 Indenture, the 2021 Notes and the guarantees in respect thereof are governed by the laws of the State of New York.

Existing Revolving Credit Facilities

General

On June 23, 2016, the Issuer, (in this section, the “**Company**”), Australia and New Zealand Banking Group Limited, Bank of America Merrill Lynch International Limited, Barclays Bank PLC, Banco Bilbao Vizcaya Argentaria, S.A., Hong Kong Branch, BNP Paribas S.A., Citibank N.A., London Branch, Deutsche Bank AG, London branch, The Bank of Tokyo-Mitsubishi UFJ, Ltd., First Gulf Bank PJSC, HDFC Bank Limited, Bahrain Branch, ING Belgium N.V./S.A., Standard Chartered Bank and HSBC Trinkaus & Burkhardt AG as mandated lead arrangers, Standard Chartered Bank as agent (the “**Agent**”) and the Wilmington Trust (London) Limited as security Agent (the “**Security Agent**”) entered into the Existing Revolving Credit Facility Agreement that established two multi-currency revolving credit facilities, one for an aggregate principal amount of €250,000,000 (“**Tranche 1**”) which will cease to be available on the date falling five years from the June 23, 2015 and one for an aggregate principal amount of €100,000,000 (“**Tranche 2**”) which will cease to be available on the date falling three years from June 23, 2015 (together the “**Existing Revolving Credit Facilities**”). The Company is an original borrower and a guarantor under the Existing Revolving Credit Facility Agreement. The remaining Guarantors subsequently acceded to the Existing Revolving Credit Facility Agreement.

Incremental Facilities (as defined in the Existing Revolving Credit Facility Agreement) may be made available to the Group under the Existing Revolving Credit Facility Agreement for the same purposes as the Existing Revolving Credit Facility following completion of an Incremental Facility notice, setting out full details of the relevant Incremental Facility, provided that, subject to certain conditions, which includes the condition that the Total Net Leverage Ratio (as defined in the Existing Revolving Credit Facility Agreement) does not exceed 3.25:1.

In order to utilize the Existing Revolving Credit Facility and Incremental Facilities, the borrower must comply with certain conditions, such as compliance with its obligations to repay certain of its existing financial indebtedness and compliance with its financial covenants.

The Existing Revolving Credit Facility is guaranteed on a senior basis by the Issuer and the same subsidiaries of the Issuer that have guaranteed the 2025 Notes, 2021 Notes and the Secondary Revolving Credit Facility and will guarantee the Notes. Obligations under the Existing Revolving Credit Facility will be secured on a *pari passu* basis by first priority security interests, subject to certain permitted liens, in the same Collateral that secures or will secure the Notes, the 2025 Notes, the 2021 Notes, the Secondary Revolving Credit Facility and certain hedging obligations.

Repayments and Prepayments

The Existing Revolving Credit Facility will mature on the date falling 5 years from June 23, 2015.

The maturity date of any Incremental Facility will be as agreed but may not fall prior to the termination date of the original Existing Revolving Credit Facility. All amounts still outstanding at the relevant termination date will be immediately due and payable.

Subject to certain conditions, any borrower under the Existing Revolving Credit Facility Agreement may voluntarily prepay any loans and/or permanently cancel all or part of the available commitments under the Existing Revolving Credit Facility in a minimum amount of €1,000,000 by

giving not less than 3 business days' (or such shorter period as the required majority of Lenders under the Existing Revolving Credit Facility Agreement agree) prior notice to the Agent. Such borrowers may borrow (and re-borrow amounts repaid), subject to certain conditions, until one month prior to relevant maturity date.

In addition to voluntary prepayments and cancellation, the Existing Revolving Credit Facility Agreement requires mandatory prepayment (or, as the case may be, an offer to do so) in full or in part in certain circumstances, including upon the occurrence of:

- (a) a Change of Control (as defined in the Existing Revolving Credit Facility Agreement); or
- (b) a sale of all or substantially all of the assets of the Group (whether in a single transaction or a series of related transactions).

Interest

The Existing Revolving Credit Facility initially bears interest at a rate per annum equal to EURIBOR (or in relation to any loan in a currency other than euro, LIBOR) plus a margin of 3.25% per annum.

The margin may be reduced by reference to a Total Net Leverage Ratio (as defined in the Existing Revolving Credit Facility Agreement). The margin in respect of any Incremental Facility will be determined at the time such facility is made available.

Fees

The Company is required to pay a commitment fee, quarterly in arrear, on available but unused commitments under the Existing Revolving Credit Facility at a rate of 35% for Tranche 1 and 30% for Tranche 2 of the applicable margin for the period commencing on the date of the Existing Revolving Credit Facility Agreement and ending on the last day of the relevant availability period. The commitment fee in respect of any Incremental Facility will be determined at the time such facility is made available. The Company is also required to pay an arrangement fee and certain customary fees to the Agent and the Security Agent in connection with the Existing Revolving Credit Facility Agreement and the Intercreditor Agreement.

Security and Guarantees

The Company is the original borrower under the Existing Revolving Credit Facility Agreement. The Existing Revolving Credit Facility Agreement will be guaranteed by the Guarantors, and will benefit from the same collateral as the Notes (see "*Description of Notes—Security*").

Covenants

The Existing Revolving Credit Facility Agreement contains customary operating and negative covenants, subject to certain agreed exceptions. The Existing Revolving Credit Facility Agreement also requires the Company and the Guarantors to observe certain customary affirmative covenants. In this respect, the Group's financial and operating performance will be monitored by financial covenants which require the Company to ensure that while certain amounts under the Existing Revolving Credit Facility remain outstanding, the Total Net Leverage Ratio and Consolidated Interest Cover Ratio (each as defined in the Existing Revolving Credit Facility Agreement) shall not be less than (3.5x and 3.0x, respectively). These financial covenants will be tested quarterly on a rolling 12-month basis whilst such amounts under the Existing Revolving Credit Facility Agreement remain outstanding. The Existing Revolving Credit Facility Agreement also requires the Company to ensure that if the Total Net Leverage Ratio (as defined in the Existing Revolving Credit Facility Agreement) is greater than an agreed level, the book value of the Collateral exceeds any amounts outstanding which are secured or expressed to be secured by the Collateral. Additionally, should a non-obligor subsidiary borrow under the Existing Revolving Credit Facility, the Intercreditor Agreement requires such debt to rank *pari passu* with the obligations of such non-obligor subsidiary.

Notes Purchase Condition

The Revolving Credit Facility Agreement contains restrictions on the ability of the Group to repay, prepay, purchase, redeem or defease (or otherwise retire for value) ("**Purchase**") the Notes or

any indebtedness refinancing the Notes (together, the “**Relevant Debt**”). The Group will be able to Purchase the Relevant Debt in accordance with the Intercreditor Agreement if no event of default under the Revolving Credit Facility is continuing or would result from the Purchase and provided that: (i) the Purchase is funded with certain new equity injections or shareholders loans, cash held in the Group or permitted indebtedness under the Revolving Credit Facility Agreement; (ii) if the Purchase is made following a Change of Control (as defined in the Revolving Credit Facility Agreement), the Company is in compliance with the mandatory prepayment provisions of the Revolving Credit Facility Agreement; and (iii) either (A) Purchases since the Issue Date do not exceed 50% of the aggregate principal amount of the Notes on the Issue Date or (B) if Purchases since the Issue Date exceed 50% of the aggregate principal amount of the Notes on the Issue Date, the Revolving Credit Facility is reduced and cancelled on a *pro rata* basis.

Events of Default

The Existing Revolving Credit Facility Agreement contains customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications), including a cross default with respect to an Event of Default under, and as defined in, the Indenture, the occurrence of which would allow the Lenders to accelerate all or part of the outstanding utilizations and/or terminate their commitments and/or declare that all or part of their utilizations are payable on demand and/or declare that cash cover in respect of any ancillary facilities and outstanding letters of credit is immediately due and payable or is payable on demand.

Governing Law

The Existing Revolving Credit Facility Agreement is governed by English law.

Secondary Revolving Credit Facility Agreement

On June 7, 2014, SMP Deutschland GmbH (“**SMP Germany**”), Standard Chartered Bank, London as mandated lead arranger, lender and agent (the “**Agent**”) and the Security Agent entered into the Secondary Revolving Credit Facility Agreement. The Secondary Revolving Credit Facility Agreement is made on substantially the same terms as the Existing Revolving Credit Facility Agreement. The main differences between the agreements are described further below.

The Secondary Revolving Credit Facility Agreement establishes a revolving facility that provides for borrowing of an aggregate principal amount of up to €50.0 million (the “**Secondary Revolving Credit Facility**”) which will be used to finance the production of products to deliver under certain sales contracts (including payments to sub-contractors in relation to such production), reimbursement of amounts expended by the borrower in connection with productions of products or payments to sub-contractors and funding any fees, costs and expenses. The Secondary Revolving Credit Facility cannot be drawn by way of incremental facilities.

In order to utilize the Secondary Revolving Credit Facility, the borrower must comply with certain conditions, such as delivery to the Agent, and acceptance by the lender, of information regarding the sales contract for which a loan is to be made available, compliance with its obligations to repay certain of its existing financial indebtedness and compliance with its financial covenants.

Repayments and Prepayments

The Secondary Revolving Credit Facility will mature on the date falling 30 months from the date of first utilization of the Secondary Revolving Credit Facility.

In addition to voluntary prepayment and cancellation provisions as described above, the Secondary Revolving Credit Facility Agreement requires mandatory prepayment (or, as the case may be, an offer to do so) in full or in part in certain circumstances, including upon the occurrence of:

- (a) a Change of Control (as defined in the Secondary Revolving Credit Facility Agreement);
- (b) a sale of all or substantially all of the assets of the Group (whether in a single transaction or a series of related transactions); or
- (c) breach of certain covenants in respect of a sales contract, certain defaults or insolvency events in respect of a counterparty to a sales contract or non-compliance of the sales contracts with the terms of the Secondary Revolving Credit Facility Agreement.

Interest

The Secondary Revolving Credit Facility will bear interest at a rate per annum equal to EURIBOR (or in relation to any loan in a currency other than euro, LIBOR) plus a flat margin of 3.00% per annum.

Fees

Other than certain customary fees to the Security Agent in connection with the Secondary Revolving Credit Facility Agreement and the Intercreditor Agreement, no fees are payable under the Secondary Revolving Credit Facility Agreement.

Security and Guarantees

SMP Germany is the original borrower under the Secondary Revolving Credit Facility Agreement. The Secondary Revolving Credit Facility Agreement will be guaranteed by the Guarantors, and will benefit from the same collateral as the Notes (see “*Description of Notes—Security*”).

Notes Purchase Condition

The Secondary Revolving Credit Facility Agreement does not contain a notes purchase condition.

Intercreditor Agreement

General

In connection with entering into the Existing Revolving Credit Facility Agreement (for the purpose of this section, the “**Revolving Facility 1 Agreement**”) and the Secondary Revolving Credit Facility Agreement (for the purpose of this section, the “**Revolving Facility 2 Agreement**”), the Issuer, the Guarantors and certain other subsidiaries of the Issuer entered into an intercreditor agreement on July 10, 2014 to govern the relationships and relative priorities among: (i) Wilmington Trust (London) Limited, acting as security agent for the secured parties (the “**Security Agent**”); (ii) Standard Chartered Bank acting as Revolving Credit Facility agent (the “**Revolving Facility 1 Agent**”); (iii) the lenders under the Revolving Credit Facility (the “**Revolving Facility 1 Lenders**”); (iv) the lenders under the Secondary Revolving Credit Facility (the “**Revolving Facility 2 Lenders**”); (v) Deutsche Trustee Company Limited as trustee of the 2021 Notes, on its behalf and on behalf of the holders of the 2021 Notes (for the purpose of this section, the “**Senior Secured Notes**”) (the “**Senior Secured Noteholders**”) (the “**Senior Secured Notes Trustee**”); (vi) any persons that accede to the Intercreditor Agreement as counterparties to certain hedging arrangements (the “**Hedging Agreements**”, such persons being referred to in such capacity as the “**Hedge Counterparties**”); (vii) intra-group creditors and debtors; and (viii) the direct or indirect shareholders of the Issuer in respect of certain structural debt that the Issuer may incur in the future (including the holders of shareholder funding instruments). In addition, the Intercreditor Agreement regulates the relationship between the Issuer and its subsidiaries, on the one hand, and shareholders of the Issuer and related parties, on the other hand. On the Issue Date, the Trustee will accede as a party to the Intercreditor Agreement, on its behalf and on behalf of the holders of the Notes. Under the Intercreditor Agreement, the Notes will constitute Additional Senior Financing Liabilities (as defined in the Intercreditor Agreement), and the Trustee and the holders of the Notes will be Additional Senior Financing Creditors (as defined in the Intercreditor Agreement) (see “*—Incurrence of Additional Indebtedness*” below).

The Issuer and each of its subsidiaries that incurs liabilities above a prescribed limit or provides any guarantee under the Revolving Facility 1 Agreement, the Revolving Facility 2 Agreement, the 2021 Indenture, the Existing Revolving Credit Facilities Agreement or the Indenture (for the purposes of this section, the “**Senior Secured Notes Indenture**”) are each referred to in this description as a “**Debtor**” and are referred to collectively as the “**Debtors**”.

The Intercreditor Agreement sets out:

- the relative ranking of certain indebtedness of the Debtors;
- the relative ranking of certain security granted by the Debtors;
- when payments can be made in respect of certain indebtedness of the Debtors;
- when enforcement actions can be taken in respect of that indebtedness;

- provisions in respect of control of the enforcement process (if undertaken);
- the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events;
- turnover provisions; and
- when security and guarantees will be released to permit a sale of any assets subject to transaction security (the “Collateral”).

The Intercreditor Agreement contains provisions relating to future indebtedness that may be incurred by the Issuer and the Guarantors that is permitted by the Intercreditor Agreement, any Finance Document under and as described in the Revolving Facility 1 Agreement (the “Revolving Facility 1 Finance Documents”), any Finance Document under and as described in the Revolving Facility 2 Agreement (the “Revolving Facility 2 Finance Documents”), the documentation required to implement the issuance of the Senior Secured Notes (the “Senior Secured Notes Documents”), any document or instrument entered into between any Group Company and an Additional Senior Financing Creditor which creates or evidences Additional Senior Financing Liabilities (an “Additional Senior Financing Document”), the Hedging Agreements, the Second Lien Debt Documents, the Security Documents (as defined below), any Equity Investor Documents and any agreement evidencing the terms of any Intra-Group Liabilities (as defined below) as well as any document designated as such by the Security Agent and the Issuer (together the “Debt Documents”) to rank pari passu with the liabilities under the Revolving Facility 1 Finance Documents and the Revolving Facility 2 Finance Documents (together, the “Revolving Credit Facility Finance Documents”) and be secured by the Collateral, subject to the terms of the Intercreditor Agreement.

The Intercreditor Agreement contains provisions relating to future indebtedness that may be incurred by the Issuer and the Guarantors that is permitted by the Debt Documents to rank pari passu with the liabilities under the Senior Secured Notes Documents (as defined below) (the “Senior Secured Notes Liabilities”) and be secured by the Collateral, subject to the terms of the Intercreditor Agreement.

The Intercreditor Agreement also includes provisions relating to future indebtedness that may be incurred by the Issuer that is permitted under the Debt Documents, to rank pari passu with any existing Second Lien Debt (as defined below) and be secured by the Collateral, subject to the terms of the Intercreditor Agreement (the creditors in respect of such indebtedness being the “Second Lien Creditors”, the liabilities of the Issuer in respect of such indebtedness being the “Second Lien Debt” and the documents creating or evidencing the Second Lien Debt, the “Second Lien Debt Documents”).

Unless expressly stated otherwise in the Intercreditor Agreement, the provisions of the Intercreditor Agreement override anything in the Revolving Credit Facility Finance Documents, the Senior Secured Notes Documents, any Additional Senior Financing Documents or the Second Lien Debt Documents to the contrary. By accepting a Senior Secured Note, holders of the Senior Secured Notes shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and to have authorized the Senior Secured Notes Trustee to enter into the Intercreditor Agreement on their behalf.

The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety, and we urge you to read that document because it, and not the description that follows, defines your rights as holders of the Senior Secured Notes.

Ranking and Priority

The Intercreditor Agreement provides, subject to the provisions in respect of permitted payments described below, that the liabilities owed by the Debtors to the Security Agent, the counterparties under the Hedging Agreements (the “Hedge Counterparties”), the Revolving Facility 1 Creditors, the Revolving Facility 2 Creditors, the Senior Secured Notes Trustee, the Senior Secured Noteholders and the Additional Senior Financing Creditors (each as defined in the Intercreditor Agreement and together, the “Senior Creditors”), the Second Lien Creditors, each Group Company (each as defined in the Intercreditor Agreement) which has made a financial arrangement with any other Group Company and is party to the Intercreditor Agreement as an intra-group Lender (the “Intra-Group Lenders”) and

Samvardhana Motherson Global Holding Ltd and Samvardhana Motherson Polymers Limited (together, the “Equity Investors”) and affiliates of an Equity Investor (an “Equity Investor Affiliate”) will rank in right and priority of payment in the following order:

- (a) first, the liabilities owed by the Issuer or any Debtor to each of the Revolving Facility 1 Creditors, the Senior Secured Notes Creditors, the Revolving Facility 2 Creditors and in respect of any indebtedness incurred by a Group Company which is notified to the Security Agent by the Issuer to be treated as additional senior financing for the purposes of the Intercreditor Agreement (“Additional Senior Financing” and such liabilities, “Additional Senior Financing Liabilities”) (all such liabilities together being the “Senior Liabilities”) and all present or future liabilities owed by an Obligor to any Hedge Counterparty under a Hedging Agreement (the “Hedging Liabilities”) *pari passu* and without any preference between them;
- (b) second, the liabilities constituting Second Lien Debt *pari passu* and without any preference between them; and
- (c) third, the liabilities owed by any Group Company to any Intra-Group Lenders and the Equity Investors (the “Intra-Group Liabilities” and the “Equity Investor Liabilities”, respectively).

The parties to the Intercreditor Agreement have agreed, and any parties that accede to the Intercreditor Agreement will agree, in the Intercreditor Agreement that the security provided by the Debtors and the other parties that will provide security for the Revolving Facility 1 Liabilities, the Revolving Facility 2 Liabilities, the Senior Secured Notes Liabilities, any Additional Senior Financing Liabilities and all present or future liabilities owed by an Obligor to any Hedge Counterparty (the “Hedging Liabilities”) will rank and secure such liabilities in the following order:

- (a) first, the Senior Liabilities and the Hedging Liabilities *pari passu* and without any preference between them; and
- (b) second, the liabilities constituting Second Lien Debt *pari passu* and without any preference between them,

but subject to the priority applicable to the proceeds of enforcement.

Under the Intercreditor Agreement, all proceeds from enforcement of the security created and evidenced by the Security Documents (the “Transaction Security”) will be applied as provided below under “—Application of Proceeds”.

Permitted Payments

Permitted Payments: Senior Liabilities

The Intercreditor Agreement permits payments to be made by the Debtors in respect of the Senior Liabilities at any time in accordance with the terms of the Revolving Credit Facility Finance Documents, the Hedging Agreements, the Additional Senior Financing Documents and the Senior Secured Notes Documents (each a “Senior Finance Document”) as applicable.

Permitted Payments: Second Lien Debt

The Intercreditor Agreement permits payments to be made (a) prior to the first date on which all of the Revolving Facility 1 Liabilities, the Additional Senior Financing Liabilities (if any), the Hedging Liabilities, the Senior Secured Notes Liabilities and the Revolving Facility 2 Liabilities have been fully and finally discharged and the Senior Creditors are under no further obligation to provide financial accommodation to any of the Debtors under the Senior Finance Documents (the “Senior Discharge Date”) by the Debtors in respect of the Second Lien Debt if (i)(A)(I) the payment is of any of the principal amount or capitalized interest of the Second Lien Debt which is not prohibited under the Revolving Credit Facility Finance Documents, the Senior Secured Notes Documents or any Additional Senior Financing Documents or (II) of any other amount; (B) no Second Lien Payment Stop Notice (as defined below) is outstanding; and (C) no Senior Payment Default (as defined below) has occurred and is continuing; or (ii) the Senior Creditors whose Senior Credit Participations (as defined below) at that time aggregate more than 50% of the total Senior Credit Participations at that time (the “Majority Senior Creditors”) give prior consent to that payment being made; or (iii) the payment is of fees, costs and expenses owed by the Debtors to each representative of the Second Lien Creditors (a “Second Lien Debt Representative”) under or in connection with the Second Lien Debt Documents (the

“Second Lien Debt Representative Amounts”); or (iv) the Payment is of costs, and expenses incurred in documenting any Second Lien Debt (including in relation to any reporting or listing requirements); or (iv) if the Payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Second Lien Debt in compliance with the Intercreditor Agreement, the Revolving Credit Facility Finance Documents, the Senior Secured Notes Documents and any Additional Senior Financing Documents; and (b) on or after the Senior Discharge Date, in respect of the Second Lien Debt in accordance with the Second Lien Debt Documents.

“Senior Credit Participations” means: (a) in relation to a Revolving Facility 1 Lender, the aggregate of its commitments under the Revolving Facility 1 Agreement or (for the purposes of calculating the Instructing Group (as defined below)) its aggregate Revolving Facility 1 Liabilities; (b) in relation to a Senior Secured Noteholder, the aggregate amount of Senior Secured Notes Liabilities owed to that Senior Secured Noteholder; (c) in relation to a Second Lien Creditor, if applicable, its aggregate Second Lien Liabilities; (d) in relation to an Additional Senior Financing Creditor, if applicable, its aggregate commitments under any Additional Senior Financing Agreement, and in all other cases and for the purposes of calculating the Instructing Group (as defined below), the aggregate amount of Additional Senior Financing Liabilities owed to that Additional Senior Financing Creditor; (e) in relation to a Revolving Facility 2 Lender its aggregate commitments under the Revolving Facility 2 Agreement or (for the purposes of calculating the Instructing Group (as defined below)) its aggregate Revolving Facility 2 Liabilities; and (f) with respect to each Hedge Counterparty, the amount (if any) payable to it as a Hedge Counterparty under the relevant Hedging Agreement after the termination or close-out of any Hedging Liabilities (and before taking into account any interest accrued on that amount since the date of such termination or close-out) to the extent that amount is unpaid (that amount to be certified by the relevant Hedge Counterparty and as calculated in accordance with the relevant Hedging Agreement).

Permitted Payments: Hedging Liabilities

The Intercreditor Agreement permits payments to be made in respect of the Hedging Liabilities then due in accordance with the terms of the relevant hedging agreement (i) if the payment is a scheduled payment arising under the relevant hedging agreement; (ii) to the extent that the relevant Debtor’s obligation to make the Payment arises as a result of the operation of (A) any of sections 2(d) (Deduction or Withholding for Tax), 2(e) (Default Interest; Other Amounts), 8(a) (Payment in the Contractual Currency), 8(b) (Judgments) and 11 (Expenses) of the 1992 ISDA Master Agreement (if the Hedging Agreement is based on a 1992 ISDA Master Agreement); (B) any of sections 2(d) (Deduction or Withholding for Tax), 8(a) (Payment in the Contractual Currency), 8(b) (Judgments), 9(h)(i) (Prior to Early Termination) and 11 (Expenses) of the 2002 ISDA Master Agreement (if the Hedging Agreement is based on a 2002 ISDA Master Agreement); or (C) any provision of a Hedging Agreement which is similar in meaning and effect to any provision listed in paragraphs (A) or (B) above (if the Hedging Agreement is not based on an ISDA Master Agreement); (iii) to the extent that the relevant Debtor’s obligation to make the payment arises from Non-Credit Related Close-Out; (iv) to the extent that (A) the relevant Debtor’s obligation to make the payment arises from (I) a close-out that is permitted as described below under “—*Permitted Enforcement: Hedge Counterparties*”) that is not a Non-Credit Related Close-Out in relation to that Hedging Agreement; or (II) a termination or close-out of any hedging transaction prior to the maturity of that transaction which is brought about automatically by the terms of the relevant Hedging Agreement and the provision of which is permitted under the terms of the Intercreditor Agreement under that Hedging Agreement which arises as a result of an event relating to a Debtor; and (B) no acceleration event under the Revolving Credit Facility Finance Documents, the Senior Secured Notes Documents or any Additional Senior Financing Document (“Senior Acceleration Event”) is continuing at the time of that payment or would result from that payment; (v) to the extent that no Senior Acceleration Event is continuing or would result from that payment and the relevant Debtor’s obligation to make the payment arises as a result of a close-out or termination arising as a result of (A) section 5(a)(vii) (Bankruptcy) of the 1992 ISDA Master Agreement (if the relevant Hedging Agreement is based on a 1992 ISDA Master Agreement) and the Event of Default (as defined in the relevant Hedging Agreement) has occurred with respect to the relevant Hedge Counterparty; (B) section 5(a)(vii) (Bankruptcy) of the 2002 ISDA Master Agreement (if the relevant Hedging Agreement is based on a 2002 ISDA Master Agreement) and the Event of Default (as defined in the relevant Hedging Agreement) has occurred with respect to the relevant Hedge Counterparty; (C) any provision of a Hedging Agreement which is similar in meaning and effect to any provision listed in paragraphs (A) or (B) above (if the Hedging Agreement is

not based on an ISDA Master Agreement) and the equivalent event of default has occurred with respect to the relevant Hedge Counterparty; or (D) the relevant Debtor terminating or closing-out the relevant Hedging Agreement as a result of a Hedging Force Majeure and the Termination Event (as defined in the relevant Hedging Agreement in the case of a Hedging Agreement based on an ISDA Master Agreement) or the equivalent termination event (in the case of a Hedging Agreement not based on an ISDA Master Agreement) has occurred with respect to the relevant Hedge Counterparty; or (vi) if the Majority Senior Creditors give prior consent to the Payment being made.

No payment may be made to a Hedge Counterparty under paragraph (a) above if any scheduled payment due from that Hedge Counterparty to a Debtor under a Hedging Agreement to which they are both party is due and unpaid unless the prior consent of the Majority Senior Creditors is obtained.

Permitted Payments: Intra-Group Liabilities

The Intercreditor Agreement permits payments from time to time when due to lenders in respect of any Intra-Group Liabilities if at the time of payment no acceleration event has occurred in respect of the Senior Liabilities or the Second Lien Debt. The Intercreditor Agreement will permit payments in respect of any Intra-Group Liabilities if (i) an acceleration event has occurred prior to the date on which all Senior Discharge Date, with the consent of the relevant Instructing Group (as defined below); (ii) an acceleration event has occurred after the Senior Discharge Date but prior to the date on which all Second Lien Debt is discharged in full (the “Second Lien Debt Discharge Date”), with the consent of the Second Lien creditors of the principal amount of the relevant tranche of Second Lien Debt required to vote in favor of any direction, approval, consent or waiver to be granted in respect of that tranche but excluding any Second Lien Debt held by any Debtor (the “Second Lien Debt Required Holders”); (iii) that payment is made to facilitate payment of the Senior Liabilities; (iv) the payment is made to facilitate payment of the Second Lien Debt that is permitted to be made under the terms of the Intercreditor Agreement; or (v) the payment is required for any Intra-Group Lender established in Germany to comply with its obligations under German law.

Permitted Payments: Equity Investor Liabilities

The Intercreditor Agreement permits payments at any time in respect of the Equity Investor Liabilities provided such payments are not prohibited under any of the Debt Documents.

Restriction on Enforcement: Revolving Facility 1 Creditors, Additional Senior Financing Creditors, Senior Secured Notes Creditors and Revolving Facility 2 Creditors

The Intercreditor Agreement provides that no Revolving Facility 1 Creditor, Additional Senior Financing Creditor, Senior Secured Notes Creditor or Revolving Facility 2 Creditor may take any enforcement action (other than a Permitted Enforcement Action (as defined below)) without the prior written consent of the Majority Senior Creditors other than in accordance with terms of the Intercreditor Agreement. A “Permitted Enforcement Action” means: (a) the cancellation of any commitments by a Senior Creditor following the occurrence of an event of default and/or the giving of any notice by a Senior Creditor to any Group Company of a failure to pay any amount due and payable at final maturity date and/or acceleration of any liabilities owed to that Senior Creditor by a Debtor or any declaration by that Senior Creditor that any such liabilities are prematurely due and payable or payable on demand; and (b) the suing for, commencing or joining any legal or arbitration proceedings by a Senior Creditor against any Debtor to recover any liabilities owed to that Senior Creditor, in each case in accordance with the terms of the relevant Debt Document.

Issue of Second Lien Payment Stop Notice

The Intercreditor Agreement provides that until the Senior Discharge Date, except with the prior consent of the Revolving Facility 1 Agent, the Revolving Facility 2 Lenders, the Senior Secured Notes Trustee, each Hedge Counterparty and any Creditor Representative in respect of any Additional Senior Financing Liabilities, and subject to the terms of the Intercreditor Agreement, the Issuer shall procure that no Group Company shall make, and no Second Lien Creditor may receive from any Group Company, any Permitted Second Lien Debt Payment (other than Second Lien Debt Representative Amounts) if:

- (a) an event of default arising by reason of non-payment under the Revolving Facility 1 Agreement, the Revolving Facility 2 Agreement, any Senior Secured Notes Document (other

than in respect of an amount not constituting principal or fees and not exceeding EUR 75,000 or its equivalent in other currencies) or any Additional Senior Financing Document (a “Senior Payment Default”) has occurred and is continuing; or

- (b) any event which is described as an event of default under the Revolving Facility 1 Agreement, the Revolving Facility 2 Agreement, the Hedging Agreements, the Senior Secured Notes Indenture, any Second Lien Debt Document or any Additional Senior Financing Agreement (other than a Senior Payment Default) (a “Senior Event of Default”) has occurred and is continuing, from the date on which the Revolving Facility 1 Agent, Revolving Facility 2 Lenders, the Senior Secured Notes Trustee, any Hedge Counterparty or any Creditor Representative in respect of Additional Senior Financing Liabilities (as the case may be) (the “Relevant Representative”) delivers a notice (a “Second Lien Payment Stop Notice”) specifying the event or circumstance in relation to that Event of Default to the Second Lien Issuer, the Security Agent and any Second Lien Debt Representative until the earliest of:
 - (i) the date falling 179 days after delivery of that Second Lien Payment Stop Notice;
 - (ii) the date on which a Second Lien Debt Default occurs for failure to pay principal at the original scheduled maturity of the Second Lien Debt;
 - (iii) in relation to payments of Second Lien Debt, if a Second Lien Standstill Period is in effect at any time after delivery of that Second Lien Payment Stop Notice, the date on which that Second Lien Standstill Period expires;
 - (iv) the date on which the relevant Event of Default is no longer continuing and, if the relevant Secured Liabilities have been accelerated, such acceleration has been rescinded;
 - (v) the date on which the Relevant Representative delivers a notice to the Second Lien Issuer, the Security Agent and any Second Lien Debt Representative cancelling the Second Lien Payment Stop Notice;
 - (vi) the Senior Discharge Date; and
 - (vii) the date on which the Second Lien Debt Representative takes any Enforcement Action that it is permitted to take under the Intercreditor Agreement.

Unless the Second Lien Debt Representative waives this requirement:

- (a) a new Second Lien Payment Stop Notice may not be delivered unless and until 360 days have elapsed since the delivery of the immediately prior Second Lien Payment Stop Notice; and
- (b) no Second Lien Payment Stop Notice may be delivered in reliance on an Event of Default more than 60 days after the date the Revolving Facility 1 Agent, the Revolving Facility 2 Lenders, the Senior Secured Notes Trustee, each Hedge Counterparty or any Creditor Representative in respect of Additional Senior Financing Liabilities (as applicable) received notice of that Event of Default.

The Revolving Facility 1 Agent, the Revolving Facility 2 Lenders, the Senior Secured Notes Trustee and any Creditor Representative in respect of Additional Senior Financing Liabilities may serve only one Second Lien Payment Stop Notice with respect to the same event or set of circumstances.

No Second Lien Payment Stop Notice may be served by the Revolving Facility 1 Agent, the Revolving Facility 2 Lenders, the Senior Secured Notes Trustee or any Creditor Representative in respect of Additional Senior Financing Liabilities in respect of an Event of Default which had been notified to each of them at the time at which an earlier Second Lien Payment Stop Notice was issued.

Any failure to make a Payment due under the Second Lien Debt Documents as a result of the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Payment Default shall not prevent (a) the occurrence of a Senior Event of Default or Senior Payment Default (together, an “Event of Default”) as a consequence of that failure to make a Payment in relation to the Second Lien Debt Documents, as the case may be; or (b) the issue of a Second Lien Enforcement Notice (as defined in “—Permitted Second Lien Enforcement”) below on behalf of the Second Lien Creditors.

A “Creditor Representative” means: (a) in relation to the Revolving Facility 1 Lenders, the Revolving Facility 1 Agent; (b) in relation to the Senior Secured Noteholders, the Senior Secured

Notes Trustee; (c) in relation to any Hedge Counterparty, each Hedge Counterparty shall be its own Creditor Representative; (d) in relation to any Second Lien Creditor of any Second Lien Debt, the Second Lien Debt Representative in respect of those Second Lien Creditors; and (e) in relation to any Additional Senior Financing Creditors, the agent, trustee or other relevant representative under that Additional Senior Financing or where such Additional Senior Financing is a bilateral facility, the lender that makes such Additional Senior Financing available.

Cure of Payment Stop: Second Lien Creditors

The Intercreditor Agreement provides that if:

- (a) at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Payment Default, that Second Lien Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Payment Default ceases to be continuing; and
- (b) the relevant Debtor then promptly pays to the Second Lien Creditors an amount equal to any Payments which had accrued under the Second Lien Debt Documents and which would have been Permitted Second Lien Debt Payments, as the case may be, but for that Second Lien Payment Stop Notice or Senior Payment Default,

then any Event of Default which may have occurred as a result of that suspension of payments shall be waived and any Second Lien Enforcement Notice which may have been issued as a result of that Event of Default shall be waived, in each case without any further action being required on the part of the Second Lien Creditors.

Restrictions on Enforcement by Second Lien Creditors

The Intercreditor Agreement provides that until the Senior Discharge Date, except with the prior consent of or as required by the Instructing Group (as defined below), (a) no Second Lien Creditor shall take or require the taking of any enforcement action in relation to the Second Lien Debt; and (b) no Second Lien Creditor shall direct the Security Agent to enforce or otherwise (to the extent applicable) require the enforcement of, any Transaction Security except as permitted under the Intercreditor Agreement.

Permitted Second Lien Enforcement

The restrictions on enforcement set out in “—*Restrictions on Enforcement by Second Lien Creditors*” above will not apply in respect of the Second Lien Debt, if:

- (a) an event of default under the Second Lien Debt Documents (a “Second Lien Debt Default”) (the “Relevant Second Debt Lien Default”) is continuing;
- (b) the Revolving Facility 1 Agent, the Revolving Facility 2 Lenders, the Senior Secured Notes Trustee, each Hedge Counterparty and any Creditor Representative in respect of Additional Senior Financing Liabilities have received a notice of the Relevant Second Lien Debt Default specifying the event or circumstance in relation to the Relevant Second Lien Debt Default from the Second Lien Debt Representative;
- (c) a Second Lien Standstill Period (as defined below) has elapsed; and
- (d) the Relevant Second Lien Debt Default is continuing at the end of the relevant Second Lien Standstill Period.

Promptly upon becoming aware of a Second Lien Debt Default, the Second Lien Debt Representative may, by notice (a “Second Lien Enforcement Notice”) in writing notify the Revolving Facility 1 Agent, the Revolving Facility 2 Lenders, each Hedge Counterparty, the Senior Secured Notes Trustee and any Creditor Representative in respect of Additional Senior Financing Liabilities of the existence of such Second Lien Debt Default.

Second Lien Standstill Period

In relation to a Relevant Second Lien Debt Default, a Second Lien Standstill Period shall mean the period beginning on the date (the “**Second Lien Standstill Start Date**”) the Second Lien Debt Representative serves a Second Lien Enforcement Notice on the Revolving Facility 1 Agent, the

Revolving Facility 2 Lenders, the Senior Secured Notes Trustee and any Creditor Representative in respect of Additional Senior Financing Liabilities in respect of such Relevant Second Lien Debt Default and ending on the earlier to occur of:

- (a) the date falling 179 days after the Second Lien Standstill Start Date (the “**Second Lien Standstill Period**”);
- (b) the date the Security Agent, any receiver or delegate and each of the Senior Creditors from time to time but, in the case of each Representative, arranger, Revolving Facility 1 Lender, Revolving Facility 1 Agent, Creditor Representative, Revolving Facility 2 Lender, Additional Senior Financing Creditor, Second Lien Creditors, Senior Secured Noteholder (to the extent not represented by a Creditor Representative) and Senior Secured Note Trustee and Hedge Counterparty (other than a Hedge Counterparty party to the Intercreditor Agreement on the Issue Date), only if it has acceded to the Intercreditor Agreement (together, the “Secured Parties”) take any enforcement action (excluding any action taken to preserve or protect any security as opposed to realizing it) in relation to a Guarantor, provided, that the Second Lien Creditors may only take the same enforcement action in relation to the Guarantor as the enforcement action taken by the Secured Parties against such Guarantor and not against any other Group Company;
- (c) the date of an insolvency event in relation to a Guarantor against whom enforcement action is to be taken;
- (d) the date on which a Second Lien Debt Default occurs for failure to pay principal at the original scheduled maturity of the Second Lien Debt; and
- (e) the expiry of any other Second Lien Standstill Period outstanding at the date such first mentioned Second Lien Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy).

The Second Lien Creditors may take enforcement action as described above in relation to a Relevant Second Lien Debt Default even if, at the end of any relevant Second Lien Standstill Period or at any later time, a further Second Lien Standstill Period has begun as a result of any other Relevant Second Lien Debt Default.

If the Security Agent has notified the Second Lien Debt Representative that it is enforcing Security created pursuant to any Transaction Security Document over shares of a Guarantor, no Second Lien Creditor may take any action referred to in “—*Permitted Second Lien Enforcement*” above against that Guarantor while the Security Agent is taking steps to enforce that Security in accordance with the instructions of the Instructing Group (as defined below) where such action might be reasonably likely to adversely affect such enforcement or the amount of proceeds to be derived therefrom.

Option to Purchase

The Intercreditor Agreement provides that the Second Lien Creditors (the “Purchasing Second Lien Creditors”) may, following an acceleration of any of the Senior Liabilities or Second Lien Debt pursuant to the terms of the relevant Debt Documents or the enforcement of any Transaction Security (a “Distress Event”), by giving not less than ten days’ notice to the Revolving Facility 1 Agent, the Revolving Facility 2 Lenders, the Hedge Counterparties, the Senior Secured Notes Trustee and any Creditor Representative in respect of Additional Senior Financing Liabilities, acquire or procure the acquisition of all (but not part only) of the rights and obligations of the Senior Creditors in connection with the Revolving Facility 1 Liabilities under the Revolving Facility 1 Finance Documents, the Revolving Facility 2 Liabilities under the Revolving Facility 2 Finance Documents, the Hedging Liabilities under the Hedging Agreements, the Senior Secured Notes Liabilities under the Senior Secured Notes Documents and the Additional Senior Financing Liabilities under the Additional Senior Financing Documents.

Restriction on Enforcement: Hedge Counterparties

Save as set out below in “—*Permitted Enforcement: Hedge Counterparties*” and without prejudice to each Hedge Counterparty’s rights under the Intercreditor Agreement, the Hedge Counterparties shall not take any enforcement action in respect of any of the Hedging Liabilities or any of the hedging transactions under any of the Hedging Agreements at any time.

Permitted Enforcement: Hedge Counterparties

The Intercreditor Agreement provides that to the extent it is able to do so under the relevant Hedging Agreement, a Hedge Counterparty may terminate or close-out in whole or in part any hedging transaction under that Hedging Agreement prior to its stated maturity (i) if a hedging force majeure has occurred; (ii) to the extent necessary to compensate a Hedge Counterparty for any interest rate or exchange rate hedge excess (each of (i) and (ii) being a “Non-Credit Related Close-Out”); (iii) if a Distress Event has occurred; (iv) if an insolvency related Event of Default has occurred under the Revolving Facility 1 Agreement or the Revolving Facility 2 Agreement or any similar clauses in any Additional Senior Financing Agreement, in relation to a Debtor which is party to that Hedging Agreement; (v) if the Majority Senior Creditors give prior consent to that termination or close-out being made; and (vi) on or immediately following a refinancing (or repayment) and cancellation in full of the Senior Liabilities.

If a Debtor has defaulted on any payment due under a Hedging Agreement (after allowing any applicable notice or grace periods) and the default has continued unwaived for more than five days after notice of that default has been given to the Security Agent, the relevant Hedge Counterparty may terminate or close-out in whole or in part any hedging transaction under that Hedging Agreement and until such time as the Security Agent has given notice to that Hedge Counterparty that the Transaction Security is being enforced, shall be entitled to exercise any right it might otherwise have commence legal proceedings against any Debtor to recover any Hedging Liabilities due under that Hedging Agreement.

After the occurrence of an insolvency event in relation to any member of the Group, each Hedge Counterparty shall be entitled to exercise any right it may otherwise have in respect of that member of the Group to:

- (a) prematurely close-out or terminate any Hedging Liabilities of that member of the Group;
- (b) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Group in respect of any Hedging Liabilities;
- (c) exercise any right of set-off or take or receive any Payment in respect of any Hedging Liabilities of that member of the Group; or
- (d) claim and prove in the liquidation of that member of the Group for the Hedging Liabilities owing to it.

Required Enforcement: Hedge Counterparties

The Intercreditor Agreement provides that save in circumstances where a Senior Acceleration Event has occurred as a result of an arrangement between any Debtor and any Senior Creditor with the purpose to bring it about, a Hedge Counterparty shall promptly terminate or close-out in full any hedging transaction under all or any of the Hedging Agreements to which it is party prior to their stated maturity, following (i) the occurrence of a Senior Acceleration Event and delivery to it of a notice from the Security Agent that that Senior Acceleration Event has occurred; and (ii) delivery to it of a subsequent notice from the Security Agent (acting on the instructions of the Instructing Group) instructing it to do so.

The Intercreditor Agreement provides that if a Hedge Counterparty is entitled to terminate or close-out any hedging transaction as described in “—*Permitted Enforcement: Hedge Counterparties*” above (or would have been able to if that Hedge Counterparty had given the notice referred to in that section) but has not terminated or closed out each such hedging transaction, that Hedge Counterparty shall promptly terminate or close-out in full each such hedging transaction following a request to do so by the Security Agent (acting on the instructions of the Instructing Group).

Amendments to Equity Investor Documents

The Intercreditor Agreement provides that on or prior to the Second Lien Debt Discharge Date, no Debtor, Equity Investor or an Equity Investor Affiliate will amend any term of any Equity Investor Document in a manner or to an extent which would: (i) be prejudicial to the interests of the Senior Creditors; (ii) result in any Debtor being subject to obligations which would conflict with any provisions of the Intercreditor Agreement; or (iii) result in the ranking or subordination provided for in the Intercreditor Agreement being affected in any way that is adverse to the interests of the Senior Creditors or the Second Lien Creditors, in each case without the prior consent of the Instructing Group and/or the Second Lien Debt Required Holders, as the case may be.

Nothing in the Intercreditor Agreement prevents the roll-up or capitalization or payment by way of the issue of shares of any Equity Investor Liabilities or the forgiveness, waiver or write-off of any Equity Investor Liabilities.

Enforcement Instructions

The Intercreditor Agreement provides that the Security Agent may refrain from enforcing the Transaction Security unless instructed by (i) the Instructing Group; or (ii) the Second Lien Debt Representative (acting on the instructions of the Second Lien Debt Required Holders), if required as set out below.

Subject to the Transaction Security having become enforceable in accordance with its terms: (i) the Instructing Group; or (ii) to the extent permitted to enforce or to require the enforcement of the Transaction Security prior to the Senior Discharge Date as set out in “—*Permitted Second Lien Enforcement*”, the Second Lien Debt Representative (acting on the instructions of the Second Lien Debt Required Holders) may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Transaction Security as they see fit.

Prior to the Senior Discharge Date: (i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or (ii) in the absence of instructions from Instructing Group, and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal (as defined below) the Security Agent shall give effect to any instructions to enforce the Transaction Security which the Second Lien Debt Representative (acting on the instructions of the Second Lien Debt Required Holders) is then entitled to give to the Security Agent as set out in “—*Permitted Second Lien Enforcement*” above.

Notwithstanding the above if at any time the Revolving Facility 1 Agent, the Revolving Facility 2 Lenders, a Hedge Counterparty, the Senior Secured Notes Trustee or any Creditor Representative in respect of Additional Senior Financing are then entitled to give the Security Agent instructions to enforce the Transaction Security and the Second Lien Debt Representative either gives such instruction or indicates any intention to give such instruction, then any of these parties may give instructions to the Security Agent to enforce the Transaction Security as they see fit in lieu of any instructions to enforce given by the Second Lien Debt Representative as set out in “—*Permitted Second Lien Enforcement*” and the Security Agent shall act on the first such instructions received from each.

Manner of Enforcement

The Intercreditor Agreement provides that if the Transaction Security is being enforced as set out in “—*Enforcement Instructions*” above, the Security Agent shall enforce the Transaction Security in such manner (including, without limitation, the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor to be appointed by the Security Agent) as (i) prior to the Senior Discharge Date, the Majority Senior Creditors have instructed; provided that if 50% of the Total Revolving Facilities Commitments are drawn on the date falling six months after the occurrence of an event of default under the Revolving Facility 1 Agreement, the Revolving Facility 2 Agreement, the Hedging Agreements, the Senior Secured Notes Indenture, any Second Lien Debt Document or any Additional Senior Financing Agreement and no enforcement of the Transaction Security has occurred, the “Instructing Group” shall be the Majority Revolving Facilities Creditors (as defined below) (the “Instructing Group”); or (ii) prior to the Senior Discharge Date, if (a) the Security Agent has, pursuant to instructions given by the Second Lien Debt Required Holders to enforce the Transaction Security; and (b) the Instructing Group has not given instructions as to the manner of enforcement of the Transaction Security, the Second Lien Debt Required Holders, shall instruct or, in the absence of any such instructions, as the Security Agent considers in its discretion to be appropriate. The “Majority Revolving Facility Creditors” means Revolving Facility 1 Lenders, Revolving Facility 2 Lenders and Additional Senior Financing Creditors whose Commitments aggregate more than 66⅔% of the Total Revolving Facilities Commitments.

“Total Revolving Facility Commitments” means the aggregate of the Revolving Facility 1 Commitments, the Revolving Facility 2 Commitments and any Additional Senior Financing in the form of a revolving facility. “Revolving Facility 1 Commitment” has the meaning given to the term “Commitment” in the Revolving Facility 1 Agreement. “Revolving Facility 2 Commitment” means the “Commitment” or equivalent of such term under the Revolving Facility 2 Agreement.

Consultation Period

The Intercreditor Agreement provides that save as set out below, before giving any instructions to the Security Agent to take any enforcement action, the Creditor Representatives and the Revolving Facility 2 Lenders shall consult with each other and the Security Agent in good faith about the instructions to be given by the Instructing Group for not less than 15 Business Days (or such shorter period as they may agree) (the “**Consultation Period**”), and only following the expiry of the Consultation Period shall the Instructing Group be entitled to give any instructions to the Security Agent to take any enforcement action.

No Creditor Representative or Revolving Facility 2 Lender shall be obliged to consult and the Instructing Group shall be entitled to give any instructions to the Security Agent to take any enforcement action prior to the end of a Consultation Period if: (i) the Transaction Security has become enforceable as a result of an insolvency event; or (ii) the Instructing Group or any Creditor Representative or Revolving Facility 2 Lender determines in good faith (and notifies each Creditor Representative, Revolving Facility 2 Lender and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the Transaction Security could reasonably be expected to have a material adverse effect on (A) the Security Agent’s ability to enforce any of the Transaction Security; or (B) the realization proceeds of any enforcement of the Transaction Security.

Release of the Guarantees and Security

Non-Distressed Disposals

The Intercreditor Agreement provides that in respect of a Non-Distressed Disposal (as defined below) of an asset the Security Agent is irrevocably authorized: (i) to release the Transaction Security or any other claim (relating to a Debt Document) over that asset; (ii) where that asset consists of shares in the capital of a Group Company, to release the Transaction Security or any other claim (relating to a Debt Document) over that Group Company’s property; and (iii) to execute and deliver or enter into any release of the Transaction Security or any claim described in (i) and (ii) above and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable.

A “Non-Distressed Disposal” means a disposal of an asset of a Group Company; or an asset which is subject to the Transaction Security, to a person or persons outside the Group where (i) (prior to the Senior Discharge Date) each of the Revolving Facility 1 Agent, the Revolving Facility 2 Lenders, the Senior Secured Notes Trustee and any Creditor Representative in respect of Additional Senior Financing Liabilities notifies the Security Agent that that disposal is permitted; (ii) (prior to the Second Lien Debt Discharge Date) each Second Lien Debt Creditor Representative notifies the Security Agent that that disposal is permitted; and (iii) that disposal is not a Distressed Disposal (as defined below).

Distressed Disposal

The Intercreditor Agreement provides that in circumstances where a disposal of an asset subject to Transaction Security of a Group Company is being effected (i) at the request of the Instructing Group in circumstances where the Transaction Security has become enforceable; or (ii) being effected by enforcement of the Transaction Security (including, without limitation, the disposal of any property of a Group Company, the shares in which have been subject to an appropriation by the Security Agent which is permitted by the relevant security documents); or (iii) being effected, after the occurrence of a Distress Event by a Debtor to a person or persons which is, or are, not a Group Company (a “Distressed Disposal”), the Intercreditor Agreement provides that the Security Agent is authorized:

- (a) to release the Transaction Security or any other claim over the asset and execute and deliver or enter into any release of that Transaction Security or claim or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;
- (b) if the asset subject to the Distressed Disposal consists of shares in the capital of a Debtor, to release (1) that Debtor and any Subsidiary of that Debtor from all or any part of its borrower, guarantor or other liabilities; (2) any Transaction Security granted by that Debtor or any Subsidiary of that Debtor over any of its assets; and (3) any other claim of an Intra-Group Lender, Equity Investor, Equity Investor Affiliate or another Debtor over that Debtor’s assets or over the assets of any Subsidiary of that Debtor, on behalf of the relevant Creditors and Debtors;

- (c) if the asset subject to the Distressed Disposal consists of shares in the capital of any holding company of a Debtor, to release: (1) that holding company and any subsidiary of that holding company from all or any part of borrower, guarantor or other liabilities; (2) any Transaction Security granted by any subsidiary of that holding company over any of its assets; and (3) any other claim of an Intra-Group Lender, Equity Investor, Equity Investor Affiliate or another Debtor over the assets of any subsidiary of that holding company, on behalf of the relevant creditors and debtors; and
- (d) to provide for the disposal of liabilities in the event of a Distressed Disposal.

Turnover of Receipts

The Intercreditor Agreement provides that, if at any time prior to the later of the Senior Discharge Date and the Second Lien Debt Discharge Date, any Creditor receives or recovers:

- (a) any payment or distribution of, or on account of or in relation to, any of the Liabilities which is not either: permitted under the Intercreditor Agreement; or made in accordance with the payment waterfall described in “—*Application of Proceeds*”;
- (b) other than by way of set-off permitted under the Intercreditor Agreement, any amount by way of set-off in respect of any of the Liabilities owed to it which does not give effect to a Payment permitted under the Intercreditor Agreement;
- (c) other than by way of set-off permitted under the Intercreditor Agreement, any amount (i) on account of, or in relation to, any of the Liabilities: (A) after the occurrence of a Distress Event; or (B) as a result of any other litigation or proceedings against a Group Company (other than after the occurrence of an Insolvency event in respect of that Group Company); or by way of set-off in respect of any of the Liabilities owed to it after the occurrence of a Distress Event, other than, in each case, any amount received or recovered in accordance with the payment waterfall described in “—*Application of Proceeds*”;
- (d) the proceeds of any enforcement of any Transaction Security except in accordance with the payment waterfall described in “—*Application of Proceeds*”; or
- (e) other than by way of set-off permitted under the Intercreditor Agreement, any distribution or payment of, or on account of or in relation to, any of the Liabilities owed by any Group Company which is not in accordance the payment waterfall described in “—*Application of Proceeds*” and which is made as a result of, or after, the occurrence of an insolvency event in respect of that Group Company,

that Creditor will:

- (i) in relation to receipts and recoveries not received or recovered by way of set-off:
 - (A) hold an amount of that receipt or recovery equal to the relevant liabilities (or if less, the amount received or recovered) on trust for the Security Agent and promptly pay or distribute that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
 - (B) promptly pay or distribute an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- (ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

“Liabilities” means all present and future liabilities and obligations at any time of any Group Company under the Debt Documents, both actual and contingent and whether incurred solely or jointly or as principal or surety or in any other capacity together with any of the following matters relating to or arising in respect of those liabilities and obligations: (a) any refinancing, novation, deferral or extension; (b) any claim for breach of representation, warranty or undertaking or on an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within this definition; (c) any claim for damages or restitution; and (d) any claim as a result of any recovery by any Debtor of a payment on the grounds of

preference or otherwise, and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings.

Application of Proceeds

Subject to the terms of the Intercreditor Agreement, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document or in connection with the realization or enforcement of all or any part of the Transaction Security (for the purposes of this paragraph, the “Recoveries”) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law in the following order of priority:

- (a) first, on a pro rata basis and pari passu, in discharging:
 - (i) any sums (including but not limited to any fees, remuneration, costs, charges, liabilities and expenses (and including any Taxes and VAT required to be paid)) owing to the Security Agent, any Receiver or any Delegate; and
 - (ii) any sums (including but not limited to any fees, remuneration, costs, charges, liabilities and expenses (and including any taxes and VAT required to be paid)) owing to any Senior Secured Notes Trustee;
 - (iii) any sums (including but not limited to any fees, remuneration, costs, charges, liabilities and expenses (and including any taxes and VAT required to be paid)) owing to the Revolving Facility 1 Agent or to any Creditor Representative (in its capacity as such) in respect of any Additional Senior Financing (but excluding for this purpose any bilateral lender under any Additional Senior Financing); and
 - (iv) any sums (including but not limited to any fees, remuneration, costs, charges, liabilities and expenses (and including any taxes and VAT required to be paid)) owing to any Second Lien Debt Creditor Representative;
- (b) second, on a pro rata and pari passu basis to:
 - (i) the Revolving Facility 1 Agent on its own behalf and on behalf of the other Revolving Facility 1 Creditors;
 - (ii) the Senior Secured Notes Trustee on its own behalf and on behalf of the Senior Secured Noteholders;
 - (iii) the Revolving Facility 2 Creditors;
 - (iv) each Hedge Counterparty; and
 - (v) any Creditor Representative in respect of an Additional Senior Financing on its own behalf and on behalf of any relevant Additional Senior Financing Creditors,for application towards the discharge of:
 - (A) the Revolving Facility 1 Liabilities (in accordance with the terms of the Revolving Facility 1 Finance Documents);
 - (B) the Senior Secured Notes Liabilities (in accordance with the terms of the Senior Secured Notes Documents);
 - (C) the Revolving Facility 2 Liabilities (in accordance with the terms of the Revolving Facility 2 Finance Documents);
 - (D) the Hedging Liabilities; and
 - (E) the Additional Senior Financing Liabilities (on a pro rata basis) between the Additional Senior Financing Liabilities under the Additional Senior Financing Documents, on a pro rata basis between paragraphs (A) to (E) inclusive above;
- (c) third, on a pro rata and pari passu basis to any Second Lien Debt Creditor Representative for application towards the discharge of Second Lien Liabilities (in accordance with the terms of the Second Lien Debt Documents);

- (d) fourth, if none of the Debtors is under any further actual or contingent liability under any Senior Finance Document or Second Lien Debt Document, in payment or distribution to any person to whom the Security Agent is obliged to pay or distribute in priority to any Debtor; and
- (e) fifth, in payment or distribution to the relevant Debtors.

Equalization

The Intercreditor Agreement provides that if, for any reason, any Senior Liabilities remain unpaid after the first date on which a Senior Creditor takes any enforcement action and the resulting losses are not borne by the Senior Creditors in the proportions which their respective exposures at the enforcement date bore to the aggregate exposures of all the Senior Creditors at the enforcement date, the Senior Creditors will make such payments amongst themselves as the Security Agent shall require to put the Senior Creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

New Money and Refinancing

Incurrence of Additional Indebtedness

The Intercreditor Agreement provides that any Additional Senior Financing Liabilities may benefit from the Transaction Security provided that on the date on which such additional liabilities are to be incurred or, if later, the date the relevant Security is granted, the aggregate principal amount of indebtedness secured by the Transaction Security is not prohibited under any Senior Finance Document. The Issuer is required to serve notice on the Security Agent notifying it of the incurrence of any Additional Senior Financing Liabilities.

Additional Senior Liabilities

The Intercreditor Agreement provides that if: (i) any Revolving Facility 1 Lenders or Revolving Facility 2 Lenders increase, add, supplement, amend, novate, extend or restate a facility under the Revolving Facility 1 Agreement or make further advances to the extent permitted under the Revolving Facility 1 Agreement or Revolving Facility 2 Agreement (“Additional Revolving Facility 1 Liabilities” and “Additional Revolving Facility 2 Liabilities” respectively and together the “Additional Revolving Facility Liabilities”), such Additional Revolving Facility Liabilities will be deemed to be made under the terms of the relevant revolving facility agreement and (to the extent permitted by applicable law) secured by the Transaction Security Documents; or (ii) any additional Senior Secured Notes are issued (“Additional Senior Secured Notes Liabilities”), such additional Senior Secured Notes will (to the extent permitted by applicable law) be secured by the Transaction Security Documents.

To the extent additional liabilities incurred as contemplated above cannot be secured *pari passu* with the then existing liabilities, such additional liabilities may, and shall in the case of any Additional Senior Secured Notes Liabilities, be secured pursuant to the execution of additional Transaction Security Documents (as defined in the Revolving Facility 1 Agreement) granting security over the security created or evidenced under or pursuant to each of the Transaction Security Documents and any other document entered into by the Debtors creating any Security in favor of any of the Secured Parties as security for all the Liabilities and all other present and future liabilities and obligations at any time due, owing or incurred by any Group Company and by each Debtor to any Secured Party under the Debt Documents (the “Security Documents”) on a lesser ranking basis, but will nevertheless continue, for the purpose of the Intercreditor Agreement, to be considered as having being secured *pari passu* with the then existing Revolving Facility 1 Liabilities, Revolving Facility 2 Liabilities and Senior Secured Notes Liabilities as appropriate.

For the avoidance of doubt, any additional liabilities incurred as contemplated above shall not be deemed to create any separate class of creditors for the purposes of the Intercreditor Agreement and the Creditors of such additional liabilities shall be treated for voting and all other purposes under the Intercreditor Agreement as Senior Creditors.

Refinancing of the Senior Liabilities

The Intercreditor Agreement provides that any of the Revolving Facility 1 Liabilities, the Senior Secured Notes Liabilities, the Revolving Facility 2 Liabilities and the Additional Senior Financing

Liabilities may be refinanced or replaced (a “Senior Refinancing”) in whole or (if expressly permitted or not prohibited under the Senior Finance Documents) in part and any pari passu ranking indebtedness incurred by Debtors in respect of such Senior Refinancing will be subject to, and have the benefit of, the Intercreditor Agreement.

No Senior Refinancing shall benefit from any Security other than Transaction Security or from any guarantee, indemnity or other assurance against loss from any Group Company other than, to the extent legally possible, any guarantee or indemnity given to all Secured Parties.

The parties to the Intercreditor Agreement acknowledge that the terms and conditions (including increased pricing and amount of principal) applicable to any Senior Refinancing may be different to those applicable to the Senior Liabilities being refinanced, but, unless otherwise consented to by the relevant Senior Creditors, shall be required not to breach the terms of the other Senior Finance Documents. Nothing in the Intercreditor Agreement shall restrict the Senior Creditors and the creditors in respect of any Senior Refinancing after consultation with the Issuer from agreeing the ranking of their respective claims among themselves provided that unless otherwise agreed the claims of the creditors against the Debtors in respect of any Senior Refinancing shall rank pari passu with the claims of the other Senior Creditors against the Debtors.

Each Senior Creditor and the Issuer undertakes to promptly give such instructions to the Security Agent as may be reasonably necessary and promptly enter into any amendment of the Intercreditor Agreement and to enter into further security over the Transaction Security to provide substantially the same rights and remedies to the providers of such Senior Refinancing as those provided to the Senior Creditors in the Intercreditor Agreement, in each case, at the cost of the Issuer. A Creditor Representative, each Revolving Facility 2 Lender or the Security Agent will only be required to execute any amendment to the Intercreditor Agreement if it has received such legal opinions as the Creditor Representative, Revolving Facility 2 Lender or Security Agent may reasonably request and in a form satisfactory to them (acting reasonably) in connection with the execution of such amendment to the Intercreditor Agreement and shall be under no obligation to execute such amendment to the Intercreditor Agreement if it would impose personal liabilities or obligations in addition to those contemplated by the Intercreditor Agreement on, or adversely affect the rights, duties or immunities of, that Creditor Representative, Revolving Facility 2 Lender or Security Agent beyond what is contemplated by the Intercreditor Agreement.

Governing Law

The Intercreditor Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

Non-Recourse Factoring Arrangements

On or about the Issue Date, we are party to several receivables purchase agreements or factoring agreements with various banks, providing for the sale of the receivables owing to certain members of the Group to those banks. The sale of receivables pursuant to these agreements is treated as off-balance sheet for accounting purposes, and under the terms of the agreements the banks will have recourse against members of the Group only upon the occurrence of certain events, which include (depending on the agreement) the occurrence of certain force majeure events as well as the delay or non-payment by customers in situations where such customers dispute the performance of the Group (such as in relation to non-delivery or delivery of damaged goods). The Group is not liable for any insolvency risk relating to its customers or for any delays or non-payment that do not relate to such aforementioned disputes.

DESCRIPTION OF NOTES

Samvardhana Motherson Automotive Systems Group B.V. (the “**Issuer**”) will issue, and the Guarantors will guarantee, the notes offered hereby (the “**Notes**”) under an indenture (the “**Indenture**”) among, *inter alios*, the Issuer, the Guarantors, Deutsche Trustee Company Limited as trustee (the “**Trustee**”), Deutsche Bank AG, London Branch as paying agent (the “**Paying Agent**”), Deutsche Bank Luxembourg S.A. as registrar and transfer agent (the “**Transfer Agent**”) and Wilmington Trust (London) Limited, as security agent (the “**Security Agent**”). The terms of the Notes include those set forth in the Indenture. The Notes will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and will be subject to certain transfer restrictions. The Security Documents referred to below under the heading “—*Security*” define the terms of the security for the benefit of the Notes and the Guarantees.

The following description is a summary of the material terms of the Indenture and refers to the Intercreditor Agreement and the Security Documents. It does not, however, restate the Indenture, the Security Documents or the Intercreditor Agreement in their entirety and, where reference is made to a particular provision of the Indenture, a Security Document or the Intercreditor Agreement, such reference, including the definitions of certain terms, is qualified in its entirety by reference to all of the provisions of the Notes, the Indenture, the Security Documents and the Intercreditor Agreement. You should read the Indenture, the Security Documents and the Intercreditor Agreement because they contain additional information and because they, and not this description, define your rights as a holder of the Notes. After the Notes have been issued, copies of the Indenture, the form of Note, the Security Documents and the Intercreditor Agreement may be obtained by requesting it from the Issuer at the address indicated under the caption “*Listing and General Information*” or from the office of the Paying Agent.

The Indenture, the Notes and the Guarantees will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements entered into in the future. The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Notes and the Guarantees. Please see the section entitled “*Description of Certain Financing Arrangements—Intercreditor Agreement*” for a summary of the material terms of the Intercreditor Agreement.

In this “*Description of Notes*,” prior to the completion of any “*IPO Debt Pushdown*” (as defined below under the caption “—*Certain Covenants—IPO Debt Pushdown*”), the word “**Issuer**” refers only to Samvardhana Motherson Automotive Systems Group B.V. and not to any of its Subsidiaries, except for the purposes of financial data determined on a consolidated basis. After the consummation of the IPO Debt Pushdown, the word “**Issuer**” shall refer to a direct subsidiary of the Issuer who is incorporated for the purposes of the consummation of the IPO Debt Pushdown and who holds all of the Issuer’s interest in SMP Automotive Technology Ibérica S.L.U., Samvardhana Motherson Peguform GmbH and Samvardhana Motherson Reflectec Group Holdings Limited. The definitions of certain other terms used in this description are set forth throughout the text or under “—*Certain Definitions*.”

The Indenture will not be qualified under, incorporate by reference, include or otherwise be subject to, any of the provisions of the U.S. Trust Indenture Act of 1939, as amended (the “**TIA**”). Consequently, the Holders generally will not be entitled to the protections provided under such TIA to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the Holders of certain relationships between it and the Issuer or the Guarantors.

The Issuer has made an application to list the Notes on the Irish Stock Exchange and to admit the Notes for trading on the Global Exchange Market. The Issuer can provide no assurance that the Notes will be so listed or admitted to trading.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Structure and Ranking of the Notes, the Guarantees and the Security

The Notes

The Notes will:

- be the general obligations of the Issuer;
- be secured by first-ranking Liens over the Collateral at the times and in the manner set forth under the heading “—*Security*”;

- rank equally in right of payment with all of the Issuer’s existing and future obligations that are not subordinated in right of payment to the Notes, including Debt Incurred under the 2021 Notes, the 2025 Notes and the Revolving Credit Facilities;
- be senior in right of payment to any of the Issuer’s existing and future obligations that are subordinated in right of payment to the Notes;
- be effectively subordinated to any existing and future obligations of the Issuer that are secured by Liens senior to the Liens securing the Notes, or secured by property or assets that do not secure the Notes, to the extent of the value of property and assets securing such Debt;
- be structurally subordinated to all existing and future obligations of Subsidiaries of the Issuer that do not provide Guarantees, including trade creditors; and
- be guaranteed on a senior secured basis by the Guarantors at the times and in the manner set forth under the heading “—*Guarantees*”.

The Guarantees

The Notes will be guaranteed by the Guarantors. Each Guarantee will:

- be a general obligation of the Guarantor that granted such Guarantee;
- be secured by first-ranking Liens over the Collateral at the times and in the manner set forth under the heading “—*Security*”;
- rank equally in right of payment with all existing and future obligations of the applicable Guarantor that are not subordinated in right of payment to such Guarantee, including its obligations under the 2021 Notes, the 2025 Notes and the Revolving Credit Facilities;
- be effectively subordinated to any existing and future obligations of the applicable Guarantor that are secured by Liens senior to the Liens securing such Guarantee, or secured by property or assets that do not secure such Guarantee, to the extent of the value of property and assets securing such obligation; and
- be senior in right of payment to any and all of the applicable Guarantor’s existing and future Debt that is subordinated in right of payment to its Guarantee.

General

The operations of the Issuer are conducted through its Subsidiaries and, therefore, the Issuer depends on the cash flow of its Subsidiaries to meet its obligations, including to service its obligations under the Notes. The Notes and the Guarantees will be effectively subordinated in right of payment to all Debt and other liabilities and commitments (including trade payables and lease obligations) of the Issuer’s Subsidiaries that are not Guarantors (the “**Non-Guarantor Restricted Subsidiaries**”). Any right of the Issuer or any Guarantor to receive assets of any of its non-Guarantor Subsidiaries upon the non-Guarantor Subsidiary’s liquidation or reorganization (and the consequent right of the Holders to participate in the distribution of those assets) will be effectively subordinated to the claims of that non-Guarantor Subsidiary’s creditors, except to the extent that the Issuer or such Guarantor is itself recognized as a creditor of the non-Guarantor Subsidiary, in which case the claims of the Issuer or such Guarantor would still be subordinate in right of payment to any obligations secured over the assets of the non-Guarantor Subsidiary and any Debt of the non-Guarantor Subsidiary that is senior to the claims held by the Issuer or such Guarantor. As of March 31, 2016, the Non-Guarantor Restricted Subsidiaries had €32.7 million of Debt outstanding.

As at the Issue Date, all of the Issuer’s Subsidiaries will be “Restricted Subsidiaries.” Under the circumstances described below under the caption “—*Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*,” the Issuer will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” Unrestricted Subsidiaries of the Issuer will not be subject to any of the restrictive covenants in the Indenture. Further, Unrestricted Subsidiaries of the Issuer will not Guarantee the Notes.

Although the Indenture will contain limitations on the amount of additional Debt that the Issuer, the Guarantors and the Non-Guarantor Restricted Subsidiaries may incur, the amount of such additional Debt could be substantial. See “*Risk Factors—Risks Relating to Our Indebtedness—Our substantial leverage and debt service obligations could adversely affect our business and preclude us from satisfying our obligations under the Notes.*”

Principal, Maturity and Interest

The Notes will mature on December 16, 2021 unless redeemed prior thereto as described herein. The Issuer will issue the Notes in the aggregate principal amount of U.S.\$300 million pursuant to the Indenture. Subject to the covenant described under “—*Certain Covenants—Limitation on Debt*,” the Issuer is permitted to issue additional Notes (the “**Additional Notes**”) under the Indenture from time to time after the Issue Date. Any issuance of Additional Notes is subject to the covenants in the Indenture. The Notes and any Additional Notes that are issued will be treated as a single class for all purposes of the Indenture, including, without limitation, those with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Indenture. Unless the context otherwise requires, references to the “**Notes**” for all purposes of the Indenture and in this “*Description of Notes*” include references to any Additional Notes that are issued.

Interest on the Notes will accrue at the rate of 4.875% per annum. Interest on the Notes will be payable semi-annually in arrears on June 16 and December 16 of each year, or if any such date is not a Payment Business Day, on the next succeeding Payment Business Day (each, an “**Interest Payment Date**”). Interest will be payable to Holders of record on each Note in respect of the principal amount thereof outstanding as at the immediately preceding June 1 and December 1, respectively.

Interest will be computed on the basis of a 360-day year comprising twelve 30-day months. Interest on overdue principal and interest and Additional Amounts and premium, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law.

Form of Notes

The Notes will be issued on the Issue Date only in fully registered form without coupons and only in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Notes will be initially in the form of one or more global notes (the “**Global Notes**”). The Global Notes will be deposited with Deutsche Bank AG, London Branch, acting as common depository for Euroclear and Clearstream or a nominee of such common depository (the “**Common Depository**”), Ownership of interests in the Global Notes, referred to in this description as “**book-entry interests**,” will be limited to persons that have accounts with Euroclear or Clearstream or their respective participants. The terms of the Indenture will provide for the issuance of Definitive Registered Notes (as defined under “*Book-Entry, Delivery and Form*”) in certain circumstances. Please see the section entitled “*Book-Entry, Delivery and Form*.”

Transfer

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under “*Notice to Investors*.”

All transfers of book-entry interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to applicable rules and procedures established by Euroclear or Clearstream and their respective participants. Please see the section entitled “*Book-Entry, Delivery and Form*.”

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of U.S.\$200,000 in principal amount and integral multiples of U.S.\$1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer or exchange.

Notwithstanding the foregoing, the Issuer is not required to register the transfer of any Definitive Registered Notes:

- (a) for a period of 15 days prior to any date fixed for the redemption of the Notes;
- (b) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

- (c) for a period of 15 days prior to the record date with respect to any Interest Payment Date; or
- (d) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Excess Proceeds Offer.

Payments on the Notes; Paying Agent and Registrar

The Issuer will make all payments, including principal of, premium and Additional Amounts, if any, and interest on the Notes, at its office or through an agent in London, England that it will maintain for these purposes. Initially, that agent will be the office of the Paying Agent. Citibank, N.A., London Branch will act as the Paying Agent. The Issuer may change the Paying Agent without prior notice to the Holders. In addition, the Issuer or any of its Subsidiaries may act as Paying Agent in connection with the Notes other than for the purposes of effecting a redemption described under “—*Optional Redemption*” or an offer to purchase the Notes described under either of “—*Certain Covenants—Change of Control*” and “—*Certain Covenants—Limitation on Asset Sales*.” The Issuer will make all payments in same day funds.

The Issuer undertakes that it will maintain a paying agent in a EU Member State that will not be obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26 and 27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such directive.

The Issuer will also maintain a registrar (the “**Registrar**”) for so long as the Notes are listed on the Irish Stock Exchange and admitted to trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require. The initial Registrar and the initial Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar and the Transfer Agent will maintain a register reflecting ownership of the Definitive Registered Notes outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Issuer.

The Issuer may change the Paying Agent, the Registrar or the Transfer Agent without prior notice to the Holders. For so long as the Notes are listed on the Irish Stock Exchange and admitted to trading on the Global Exchange Market and the rules of the Irish Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Ireland (which is currently expected to be the *Irish Times*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Irish Stock Exchange at www.ise.ie.

No service charge will be made for any registration of transfer, exchange or redemption of the Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange.

IPO Debt Pushdown

At any time following the Issue Date, subject to the satisfaction of certain conditions, the Issuer may, in its sole discretion, on no less than 15 and no more than 60 days’ written notice to the Holders in accordance with the provisions set forth under the caption “—*Notices*,” undertake an IPO Debt Pushdown (as defined below under the caption “—*Certain Covenants—IPO Debt Pushdown*”) in connection with a Qualifying IPO, which notice and IPO Debt Pushdown may be subject to one or more conditions precedent, including but not limited to the consummation of a Qualifying IPO. Upon consummation of, or concurrently with, the IPO Debt Pushdown, a direct subsidiary of the Issuer who is incorporated for the purposes of the consummation of the IPO Debt Pushdown and who holds all of the Issuer’s interest in SMP Automotive Technology Ibérica S.L.U., Samvardhana Motherson Peguform GmbH and Samvardhana Motherson Reflectec Group Holdings Limited (the “**IPO Debt Pushdown Entity**”) will succeed to, and be substituted for, and may exercise every right and power of, Samvardhana Motherson Automotive Systems Group B.V. as issuer under the Indenture and the Notes, and upon such substitution, Samvardhana Motherson Automotive Systems Group B.V. will be released from its obligations as issuer under the Indenture and the Notes. In addition, upon consummation of, or concurrently with, the IPO Debt Pushdown, Liens on the shares of and Collateral owned by Samvardhana Motherson Automotive Systems Group B.V. securing the Notes and other Debt (including Debt under the 2021 Notes, the 2025 Notes and the Revolving Credit Facilities) will be released as described below under the caption “—*Certain Covenants—IPO Debt Pushdown*.”

After the consummation of the IPO Debt Pushdown, references to “Issuer,” “we,” “our,” and “us” refer to the IPO Debt Pushdown Entity, and not to any of its Subsidiaries.

Guarantees

General

The Indenture will provide that on or about the Issue Date (and in any event no later than 15 days following the Issue Date), the Notes will be guaranteed on a senior basis by each of Samvardhana Motherson Peguform GmbH, Samvardhana Motherson Reflectec Group Holdings Limited, SMP Deutschland GmbH and SMP Automotive Technology Ibérica S.L.U. (the “**Initial Guarantors**”).

The Indenture will provide that no later than 90 days following the Issue Date, the Issuer will be required to cause the following entities (the “**Post-Closing Guarantors**”) to also guarantee the Notes on a senior basis: SMP Automotive Systems Alabama Inc., SMP Logistik Service GmbH, Samvardhana Motherson Peguform Barcelona S.L.U., SMP Automotive Technologies Teruel S.L., SMP Automotive Systems Mexico S.A. de C.V., SMR Automotive Technology Holding Cyprus Limited, SMR Automotive Systems France S.A., SMR Automotive Mirror Technology Holding Hungary Kft., SMR Automotive Mirror Technology Hungary Bt., SMR Holding Australia Pty Limited, SMR Automotive Australia Pty Limited, SMR Automotive Mirror Parts and Holdings UK Limited, SMR Automotive Mirrors UK Limited, SMR Mirrors UK Limited, SMR Automotive Mirror International USA Inc., SMR Automotive Vision Systems Operations USA Inc., SMR Automotive Systems USA Inc., SMR Automotive Mirror Systems Holding Deutschland GmbH, SMR Automotive Beteiligungen Deutschland GmbH, SMR Automotive Systems Spain S.A.U., SMR Automotive Vision Systems Mexico S.A. de C.V., SMR Automotive Mirrors Stuttgart GmbH, SMR Grundbesitz GmbH & Co KG., Samvardhana Motherson Innovative Autosystems B.V. & Co. KG, Samvardhana Motherson Innovative Autosystems Holding Company B.V. and SMP Automotive Exterior GmbH.

Under the Indenture, each Guarantor will jointly and severally agree to guarantee the due and punctual payment of all amounts payable under the Notes, including principal, premium and Additional Amounts, if any, and interest payable under the Notes. The obligations of each Guarantor under its Guarantee will be contractually limited to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor under applicable law or without resulting in its obligations under its Guarantee being voidable or unenforceable under applicable laws relating to fraudulent transfer, or under similar laws affecting the rights of creditors generally. See “*Risk Factors—Risks Relating to the Notes and the Structure—The Guarantees and the security interests over the Collateral, including future security interests permitted by the Indenture and actually granted, will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*” and “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*” Each Guarantor that makes a payment or distribution under its Guarantee will be entitled to contribution from any other Guarantor.

The Guarantors are organized under the laws of Australia, Cyprus, France, Germany, Hungary, Jersey, Mexico, the Netherlands, Spain, England and Wales, Delaware and Michigan. Excluding the Restricted Jurisdiction Non-Guarantors, the Issuer and the Guarantors, on a combined basis, accounted for 96.6% of our revenue and 97.8% of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held 97.1% of our consolidated Total Net Assets as of March 31, 2016. Including the Restricted Jurisdiction Non-Guarantors, the Issuer and the Guarantors, on a combined basis, accounted for 80.6% of our revenue and 80.3% of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held 73.1% of our consolidated Total Net Assets as of March 31, 2016. The Issuer and the Guarantors have also provided, or will provide, guarantees of the Issuer’s and certain of its subsidiaries’ obligations under the 2021 Notes, the 2025 Notes and the Revolving Credit Facilities.

Release of the Guarantees

A Guarantee of a Guarantor will be automatically and unconditionally released (and thereupon will terminate and be discharged and be of no further force and effect):

- (a) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition is not prohibited by or does not otherwise violate the covenant described under “*—Certain Covenants—Limitation on Asset Sales*” of the Indenture;

- (b) in connection with any sale or other disposition of Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition is not prohibited by or does not otherwise violate the covenant described under “—*Certain Covenants—Limitation on Asset Sales*” of the Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- (c) in connection with an enforcement sale pursuant to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for in the Intercreditor Agreement or any Additional Intercreditor Agreement (see “*Description of Certain Financing Arrangements—Intercreditor Agreement*”);
- (d) upon a Legal Defeasance, Covenant Defeasance or satisfaction and discharge of the Indenture that complies with the provisions under “—*Defeasance*” or “—*Satisfaction and Discharge*;”
- (e) upon the designation by the Issuer of the Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- (f) in the case of any Restricted Subsidiary that after the Issue Date is required to Guarantee the Notes pursuant to the covenant described under “—*Certain Covenants—Additional Guarantees*,” upon the release or discharge of the guarantee of Debt by such Restricted Subsidiary that resulted in the obligation to Guarantee the Notes; *provided* that no Event of Default would arise as a result and such Restricted Subsidiary does not guarantee any other Debt of the Issuer or any Guarantor;
- (g) with respect to an entity that is not the Successor Guarantor or the surviving entity, as applicable, as a result of any transaction permitted under paragraph (2) or clause (ii), (iii) or (iv) of paragraph (3) under the covenant described under “—*Certain Covenants—Merger, Consolidation or Sale of Assets*,” but, in the case of a lease of all or substantially all of the Guarantor’s assets, the Guarantor will not be released from the obligation to pay the principal of, premium, if any, and interest, on the Guarantee;
- (h) as described under “—*Amendments and Waivers*;” or
- (i) upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes.

Upon any occurrence giving rise to a release of a Guarantee as specified above, the Trustee will execute any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Guarantee. Notwithstanding the foregoing, neither the consent nor the acknowledgement of the Trustee shall be necessary to affect any such release. Neither the Trustee, the Issuer nor any Guarantor will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Limitations under the Guarantees

The obligations of each Guarantor under its Guarantee will be contractually limited to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor under applicable law or without resulting in its obligations under its Guarantee being voidable or unenforceable under applicable laws relating to fraudulent transfer, or under similar laws affecting the rights of creditors generally. In particular, each Guarantee will be limited as required to comply with corporate benefit, maintenance of capital and other laws applicable in the jurisdiction of the relevant Guarantor. By virtue of these limitations, a Guarantor’s obligations under its Guarantee could be significantly less than amounts payable in respect of the Notes, or a Guarantor may have effectively no obligations under its Guarantee. See “*Risk Factors—Risks related to the Notes and the Structure—The Guarantees and the security interests over the Collateral, including future security interests permitted by the Indenture and actually granted, will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*” and “*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*”

Security

General

The assets and property of the Issuer and its Subsidiaries that are from time to time subject to, or required to be subject to, a Lien pursuant to the Security Documents are referred to as the “**Collateral**.” The Indenture will provide that security interests over the Collateral will be put in place no later than 90 days following the Issue Date. The Collateral will include first-ranking security interests over:

- all of the capital stock of SMP Deutschland GmbH held by Samvardhana Motherson Peguform GmbH and Samvardhana Motherson Global Holdings Limited;
- all of the capital stock of Samvardhana Motherson Peguform GmbH held by the Issuer (the “**Samvardhana Motherson Peguform Share Pledge**”);
- all of the capital stock of SMP Automotive Technology Ibérica S.L.U. held by the Issuer (the “**SMP Ibérica Share Pledge**”);
- all of the capital stock of Samvardhana Motherson Reflectec Group Holdings Limited held by the Issuer (the “**SMR Jersey Share Pledge**” and, together with the Samvardhana Motherson Peguform Share Pledge and the SMP Ibérica Share Pledge, the “**Permanent Share Pledges**”);
- all of the capital stock of SMR Automotive Technology Holding Cyprus Limited held by Samvardhana Motherson Reflectec Group Holdings Limited;
- all of the capital stock of SMR Automotive Mirror Parts and Holdings UK Limited held by Samvardhana Motherson Reflectec Group Holdings Limited;
- all of the capital stock of SMR Automotive Mirror Technology Holding Hungary Kft. held by SMR Automotive Technology Holding Cyprus Limited;
- all of the capital stock of SMR Automotive Mirror Technology Hungary Bt. held by SMR Automotive Technology Holding Cyprus Limited;
- all of the capital stock of SMR Holding Australia Pty Limited held by SMR Automotive Mirror Technology Holding Hungary Kft.;
- all of the capital stock of SMR Automotive Australia Pty Limited held by SMR Holding Australia Pty Limited;
- all of the capital stock of SMR Automotive Mirrors UK Limited held by SMR Automotive Mirror Parts and Holdings UK Limited;
- all of the capital stock of SMR Automotive Mirror Systems Holding Deutschland GmbH held by SMR Automotive Mirror Parts and Holdings UK Limited;
- all of the capital stock of SMP Automotive Systems Alabama Inc. held by SMR Automotive Mirror International USA Inc.;
- all of the capital stock of SMR Automotive Mirror International USA Inc. held by SMR Mirrors UK Limited;
- all of the capital stock of SMR Automotive Systems USA Inc. held by SMR Automotive Mirror International USA Inc.;
- all of the capital stock of SMP Automotive Exterior GmbH held by Samvardhana Motherson Peguform GmbH;
- all of the partnership interests in Samvardhana Motherson Innovative Autosystems B.V. & Co. KG held by Samvardhana Motherson Peguform GmbH and Samvardhana Motherson Innovative Autosystems Holding Company B.V.;
- all of the capital stock of Samvardhana Motherson Innovative Autosystems Holding Company B.V. held by Samvardhana Motherson Reflectec Group Holdings Limited;
- all or substantially all material assets (other than land charges) of the Issuer, as is customary in its jurisdiction (the “**Permanent Asset Pledge**” and together with the Permanent Share Pledges, the “**Permanent Collateral**”);

- certain bank accounts of Samvardhana Motherson Peguform GmbH, as is customary in its jurisdiction;
- all or substantially all material assets (including certain land charges) of SMP Deutschland GmbH, as is customary in its jurisdiction;
- certain bank accounts of SMR Automotive Mirror Systems Holding Deutschland GmbH, as is customary in its jurisdiction;
- all or substantially all material assets (including certain land charges) of SMR Automotive Mirrors UK Limited, as is customary in its jurisdiction;
- all or substantially all material assets (other than land charges) of SMR Automotive Systems USA Inc., as is customary in its jurisdiction;
- all or substantially all material assets (other than land charges) of SMR Automotive Mirror Technology Hungary Bt., as is customary in its jurisdiction; and
- all or substantially all material assets (including certain land charges) of SMP Automotive Exterior GmbH, as is customary in its jurisdiction.

Additionally, at substantially the same time as such action is taken for the benefit of the holders of the 2021 Notes and the 2025 Notes or the lenders under any of the Revolving Credit Facilities, the Notes and the Guarantees will be secured by such additional Collateral as may be granted for the benefit of the holders of the 2021 Notes and the 2025 Notes or the lenders under any of the Revolving Credit Facilities, from time to time.

Any additional security interests that are in the future pledged to secure obligations under the Notes, the Guarantees and the Indenture will also constitute Collateral, subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement.

The Issuer, the Guarantors and the Security Agent will enter into certain security agreements defining the terms of the Collateral that secures the Notes and the Guarantees (the “**Security Documents**”).

Subject to certain conditions, including compliance with the covenant described under “—*Certain Covenants—No Impairment of Security Interest*” and “—*Certain Covenants—Limitation on Liens*,” the pledgors of the Collateral are permitted to pledge the Collateral in connection with future issuances of Debt of the Issuer or its Restricted Subsidiaries, including any Additional Notes, permitted under the Indenture.

Subject to the terms of the Indenture, the 2021 Indenture, the 2025 Indenture, the Revolving Credit Facilities and the Security Documents, the Issuer and the Guarantors, as the case may be, will have the right to remain in possession and retain exclusive control of the Collateral, to freely operate the property and assets constituting Collateral and to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of the shares that are part of the Collateral.

No appraisals of the Collateral have been prepared by or on behalf of the Issuer or the Guarantors in connection with the offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Guarantees. Furthermore, the Collateral securing the Notes may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. Please see the section entitled “*Risk Factors—Risks related to the Notes and the Structure—Applicable law and other limitations on the enforceability of the security may adversely affect its validity and enforceability*” and “—*The Issuer and the Guarantors will have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.*” By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all. See “*Risk Factors—Risks related to the Notes and the Structure—It may be difficult to realize the value of the Collateral directly or indirectly securing the Notes.*”

The Security Documents are governed by applicable local laws and provide that the rights with respect to the Notes and the Indenture must be exercised by the Security Agent and in respect of the entire outstanding amount of the Notes.

The Security Agent will enter into the Security Documents in its own name for the benefit of the Trustee and the Holders. Each Holder, by accepting a Note, appoints the Security Agent as its agent under the Security Documents and authorizes it to act as such. Neither the Trustee nor the Holders may, individually or collectively, take any direct action to enforce any rights in their favor under the Security Documents. The Holders may only act through the Security Agent. The Security Agent will agree to any release of the security interest created by the Security Documents that is in accordance with the Indenture without requiring any consent of the Holders.

Priority

Pursuant to the Intercreditor Agreement, the Security Agent will act on behalf of, and the Collateral will be shared equally and ratably among (but without prejudice to the agreed order of application of proceeds following the enforcement thereof), the holders of all Debt entitled to first-ranking security under the Indenture. This Debt includes the Notes, the 2021 Notes, the 2025 Notes, obligations under the Revolving Credit Facilities, certain obligations under Hedging Agreements and any other Senior Secured Debt incurred and secured on the Collateral in compliance with the Indenture. In addition, the Issuer and the Restricted Subsidiaries will be permitted to create, incur, assume or otherwise cause or suffer to exist other Permitted Collateral Liens as provided for under the caption “—*Certain Covenants—Limitation on Liens.*” Under certain circumstances, the amount of such additional Debt secured by the Collateral could be significant.

The Revolving Credit Facilities permit, or will permit, the Issuer and all of its Restricted Subsidiaries (including non-Guarantor Restricted Subsidiaries) to incur certain ancillary facilities. The Notes will be structurally subordinated to all existing and future obligations of Subsidiaries of the Issuer that do not provide Guarantees. However, pursuant to the equalization provisions of the Intercreditor Agreement, creditors under the Revolving Credit Facilities will agree that to the extent that they recover in an enforcement from the assets of a non-Guarantor Restricted Subsidiary, that such recoveries will be shared pro rata and pari passu with the other secured parties, including creditors in respect of the Notes, the 2021 Notes, the 2025 Notes, each other Revolving Credit Facility, certain Hedging Agreements and any other Senior Secured Debt incurred and secured on the Collateral in compliance with the Indenture.

The Intercreditor Agreement provides that if additional Debt is to be incurred which is permitted to share in the Collateral pursuant to the terms of the Revolving Credit Facilities, the 2021 Indenture, the 2025 Indenture and the Indenture, all required documentation (including, if required, an Additional Intercreditor Agreement) will be entered into in order to ensure that any such Debt will have the ranking permitted to be conferred upon it in accordance with the terms of the Revolving Credit Facilities, the 2021 Indenture, the 2025 Indenture and the Indenture; *provided* that such documentation does not adversely affect the interests of the parties benefitting from the Collateral (other than the effect of such Debt sharing in the Collateral). Such amendments may be made without the consent of the Holders, *provided* that such conditions are satisfied.

Releases

The Issuer and the Guarantors will be entitled to release the Liens over property and other assets constituting Collateral securing the Notes and the Guarantees under any one or more of the following circumstances:

- (a) with respect to a Guarantor, upon the release of such Guarantor’s Guarantee as described in “—*Guarantees—Release of the Guarantees;*”
- (b) in a transaction that complies with the provisions described in “—*Certain Covenants—Merger, Consolidation or Sale of Assets;*”
- (c) upon the Legal Defeasance, Covenant Defeasance, satisfaction or discharge of the Notes as provided in “—*Defeasance*” or “—*Satisfaction and Discharge,*” in each case, in accordance with the terms and conditions of the Indenture;

- (d) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets (including Capital Stock of Subsidiaries) to a Person that is not (either before or after giving effect to such transaction) the Issuer or any Restricted Subsidiary, if the sale or other disposition is not prohibited by, or does not otherwise violate, the “*Asset Sale*” provisions of the Indenture;
- (e) in connection with an enforcement sale pursuant to the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, or as otherwise provided for in the Intercreditor Agreement or any Additional Intercreditor Agreements (see “*Description of Certain Financing Arrangements—Intercreditor Agreement*”);
- (f) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of Liens on property and assets and capital stock of such Restricted Subsidiary;
- (g) as permitted by the covenant described under “—*Certain Covenants—No Impairment of Security Interest*;”
- (h) as described under “—*Amendments and Waivers*;” or
- (i) the release of all Liens on the shares and assets of Samvardhana Moterson Automotive Systems Group B.V.; concurrently with or prior to and in contemplation of an IPO Debt Pushdown undertaken in compliance with the covenant described under “*Certain Covenants—IPO Debt Pushdown*.”

The Security Agent and the Trustee (as applicable) will take all necessary action as reasonably requested by the Issuer required to effectuate any release of Collateral securing the Notes and the Guarantees, in accordance with the provisions of the Indenture and the relevant Security Document, the Intercreditor Agreement and any Additional Intercreditor Agreement. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee.

In addition, subject to compliance with the covenants described under the captions “*Certain Covenants—No Impairment of Security Interest*” and “*Certain Covenants—Limitation on Liens*,” if an Incurrence of Debt permitted by the covenant described under the captions “*Certain Covenants—Limitation on Debt*” is implemented in a manner that requires the release of the first priority security interest over all or some of the Collateral, the security interest over such Collateral will be automatically released and replaced by new security in favor of the Notes and Guarantees, on substantially the same terms as prior to release.

Intercreditor Agreement and Additional Intercreditor Agreements

The Indenture will provide that the Issuer, each Guarantor, the Trustee and the Security Agent will be authorized (without any further consent of the Holders) to accede to the Intercreditor Agreement, to which the trustee and the security agent under the 2021 Indenture, the 2025 Indenture and the lenders under the Revolving Credit Facilities, among others, are parties and to enter into any Additional Intercreditor Agreement. The Indenture will provide that it will be subject to the terms of such Intercreditor Agreement and any Additional Intercreditor Agreement.

In addition, the Indenture will provide that at the request of the Issuer, at the time of, or prior to, any Incurrence of Debt that is permitted to share the Collateral or that is otherwise permitted to be incurred under the Indenture, the Issuer, the relevant Guarantors, the Trustee and the Security Agent shall (without the consent of the Holders) amend the Intercreditor Agreement to reflect such additional Debt or enter into a new intercreditor agreement with the holders of such Debt (or their duly authorized representatives) (an “**Additional Intercreditor Agreement**”) on substantially the same terms as the Intercreditor Agreement (or on terms more favorable to the Holders of the Notes), including with respect to enforcement instructions, distributions and releases of Guarantees and Collateral; *provided* that any amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or the Security Agent or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Security Agent under the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement as in effect on the Issue Date.

The Indenture will also provide that, at the written direction of the Issuer and without the consent of the Holders, the Trustee and the Security Agent shall from time to time enter into one or more

amendments to the Intercreditor Agreement or any Additional Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Debt covered by the Intercreditor Agreement or any such Additional Intercreditor Agreement that may be Incurred by the Issuer or its Restricted Subsidiaries that is subject to the Intercreditor Agreement or any such Additional Intercreditor Agreement, respectively (including the addition of provisions relating to (i) new Debt ranking junior or pari passu in right of payment with the Notes and (ii) security enforcement of new Debt on substantially the same terms as the security enforcement provisions with respect to the Notes, or the Revolving Credit Facilities or on terms more favorable to the Holders of the Notes); *provided* that such Debt is Incurred in compliance with the Indenture, (3) add Guarantors or other Restricted Subsidiaries to the Intercreditor Agreement or any Additional Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes or to implement any Permitted Collateral Liens or (6) make any other change that does not adversely affect the Holders of Notes in any material respect. The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under “—*Amendments and Waivers*” or as permitted by the terms of the Intercreditor Agreement or such Additional Intercreditor Agreement, as applicable, and the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the Intercreditor Agreement or any Additional Intercreditor Agreement to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting such Note, will be deemed to have:

- (a) appointed and authorized the Trustee and the Security Agent to give effect to provisions in the Intercreditor Agreement and any Additional Intercreditor Agreement;
- (b) authorized the Trustee and the Security Agent to become a party to any Additional Intercreditor Agreement, and any amendment referred to above;
- (c) agreed to be bound by the provisions of the Intercreditor Agreement and any Additional Intercreditor Agreement, and any amendment referred to above; and
- (d) irrevocably appointed the Trustee and the Security Agent to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement and any Additional Intercreditor Agreement, and any amendment referred to above.

Neither the Trustee nor the Security Agent shall be required to seek the consent of any Holders to perform its obligations under and in accordance with this covenant.

Additional Amounts

All payments made by or on behalf of the Issuer or any Guarantor under or with respect to the Notes or the Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future Taxes unless the withholding or deduction of such Taxes is required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Issuer or any Guarantor is then incorporated or organized, engaged in business or resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction from or through which payment on the Notes or Guarantees is made by or on behalf of the Issuer or any Guarantor (including the jurisdiction of any paying agent) or any political subdivision or governmental authority thereof or therein (each, a “**Relevant Taxing Jurisdiction**”) will at any time be required to be made from any payment made by or on behalf of the Issuer or any Guarantor under or with respect to the Notes or the Guarantees, the Issuer or relevant Guarantor, as the case may be, will pay such additional amounts (“**Additional Amounts**”) as may be necessary so that the net amount received by each holder of the Notes after such withholding or deduction (including any withholding or deduction from such Additional Amounts) will be not less than the amount that such holder would have received if such Taxes had not been required to be withheld or deducted.

Notwithstanding the foregoing, neither the Issuer nor the Guarantors will pay Additional Amounts in respect or on account of:

- (a) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the Holder or the beneficial owner of the Notes (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over, the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, but not limited to, citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the Relevant Taxing Jurisdiction) other than any connection arising merely from the receipt or holding of any Note or Guarantee or by reason of the receipt of payments thereunder or the exercise or enforcement of rights under such Note, Guarantee or the Indenture;
- (b) any Taxes, to the extent such Taxes were imposed or withheld by reason of the failure of the Holder or beneficial owner of any Note, prior to the relevant date on which a payment under or with respect to the Notes is due and payable (the “**Relevant Payment Date**”), to comply, to the extent that it is legally eligible, with the Issuer’s reasonable written request, addressed to the Holder at least 30 calendar days prior to the Relevant Payment Date, to provide accurate applicable information with respect to, or otherwise satisfy, any certification, identification, information or other reporting requirements concerning nationality, residence, identity or connection with the Relevant Taxing Jurisdiction (including, without limitation, a certification that the Holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction), which are required or imposed by statute, treaty, regulation or administrative practice, in each such case by the Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction;
- (c) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Taxes;
- (d) any Tax that is payable other than by deduction or withholding from payments made under or with respect to any Note or Guarantee;
- (e) any Tax which would not have been so imposed but for the presentation for payment (where presentation is required in order to receive payment) by the Holder or beneficial owner of a Note on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the Holder or beneficial owner would have been entitled to such Additional Amounts on presenting the same for payment on any day (including the last day) within such 30-day period;
- (f) any withholding or deduction in respect of any Taxes where such withholding or deduction is required to be made pursuant to the European Council Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26, and 27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such directive;
- (g) any Taxes that are imposed on or with respect to a payment made to a Holder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note for a payment to another paying agent in an EU Member State;
- (h) any Taxes imposed on or with respect to any payment to a Holder if such Holder is a fiduciary, partnership, limited liability company or person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such Holder been the sole beneficial owner of such Note; or
- (i) any Taxes that are imposed or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), any regulations or other official guidance thereunder or agreements (including any intergovernmental agreements or any laws, rules or practices implementing such intergovernmental agreements) entered into in connection therewith.

In addition, Additional Amounts will not be payable with respect to any Taxes that are imposed in respect of any combination of the above items.

The Issuer or the relevant Guarantor will make or cause to be made such withholding or deduction of Taxes required by law and will remit the full amount of Taxes so deducted or withheld to the relevant taxing authority in accordance with all applicable laws. The Issuer or the relevant Guarantor will use its reasonable efforts to obtain tax receipts from each such tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will furnish to the Trustee (or to a Holder upon written request), within 30 days after the date on which the payment of any Taxes so deducted or withheld is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by the Issuer or the relevant Guarantor or if, notwithstanding the Issuer's or the relevant Guarantor's efforts to obtain such receipts, the same are not obtainable, other evidence reasonably satisfactory to the Trustee of such payment by the Issuer or the relevant Guarantor.

At least 30 calendar days prior to the date on which any payment under or with respect to the Notes is due and payable, if the Issuer or a Guarantor becomes aware that it will be obliged to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 45th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will notify the Trustee promptly thereafter), the Issuer or the relevant Guarantor will deliver to the Trustee an Officer's Certificate stating that such Additional Amounts will be payable and the amounts estimated to be so payable and setting forth such other information as is necessary to enable the Paying Agent to pay such Additional Amounts to the holders on the payment date. The Issuer or the relevant Guarantor will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts. The Trustee shall be entitled to rely solely on such Officer's Certificate described above as conclusive proof that such payments are necessary.

In addition to the foregoing, the Issuer or the relevant Guarantor will indemnify the applicable holder for any present or future stamp, issue, registration, transfer, documentation, court, excise or property taxes or other similar taxes, charges and duties, including interest, penalties and Additional Amounts with respect thereto, levied by (i) any Relevant Taxing Jurisdiction on the execution, issue, delivery or registration of the Notes, the Indenture, the Guarantees or any other document or instrument referred to therein (other than, in each case, on or in connection with a transfer of the Notes); (ii) any Relevant Taxing Jurisdiction on any payments with respect to the Notes, the Indenture, the Guarantees or any other document or instrument referred to therein (limited to any such taxes, charges or duties that are not excluded under clauses (a) through (c) or (e) through (i) above or any combination thereof) and (iii) any jurisdiction as a result of, or in connection with, the enforcement of the Notes, the Indenture, the Guarantees or any other document or instrument referred to therein following the occurrence of any Event of Default with respect to the Notes.

The foregoing provisions will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any successor Person to the Issuer or any Guarantor is then organized, engaged in business or resident for tax purposes or from or through which payment on the Notes or the Guarantees is made by or on behalf of such Person and any political subdivision or governmental authority thereof or therein having the power to tax.

Whenever in the Indenture, this Offering Memorandum or this "*Description of Notes*" there is mentioned, in any context, the payment of principal (and premiums, if any), redemption price, interest or any other amount payable under or with respect to any Note (including payments thereof made pursuant to any Guarantee), such mention will be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are or would be payable in respect thereof.

Optional Redemption

Optional Redemption prior to June 16, 2019

At any time prior to June 16, 2019, upon not less than 10 nor more than 60 days' notice, the Issuer may on any one or more occasions redeem all or part of the Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium as of, and accrued and unpaid interest and Additional Amounts, if any, to, the date of redemption, subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date.

At any time prior to June 16, 2019, upon not less than 10 nor more than 60 days' notice, the Issuer may also redeem up to 35% of the aggregate principal amount of Notes at a redemption price of 104.875% of their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date, with the proceeds from one or more Equity Offerings. The Issuer may only do this, however, if:

- (a) at least 65% of the aggregate principal amount of Notes that were initially issued would remain outstanding immediately after the proposed redemption; and
- (b) the redemption occurs within 120 days after the closing of such Equity Offering.

Optional Redemption on or after June 16, 2019

At any time on or after June 16, 2019 and prior to maturity, upon not less than 10 nor more than 60 days' notice, the Issuer may redeem all or part of the Notes. These redemptions will be in amounts of U.S.\$200,000 or integral multiples of U.S.\$1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date, if redeemed during the 12-month period commencing on June 16 of the years set forth below.

<u>Year</u>	<u>Redemption Price</u>
2019	102.4375%
2020	101.21875%
2021 and thereafter	100.00%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

Redemption upon Changes in Withholding Taxes

The Issuer may, at its option, redeem the Notes, in whole but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon, if any, to the redemption date and all Additional Amounts, if any, then due and which will become due on the date of redemption as a result of the redemption or otherwise (subject to the rights of Holders on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts, if any, in respect thereof), if the Issuer or any Guarantor is or, on the next date on which any amount would be payable in respect of the Notes or the Guarantees, would be obliged to pay Additional Amounts (but, in the case of any Guarantor, only if such amount cannot be paid by the Issuer or another Guarantor who can pay such amount, through the use of reasonable measures available to it, without the obligation to pay Additional Amounts) in respect of the Notes or the Guarantees pursuant to the terms and conditions thereof, which obligation the Issuer or the relevant Guarantor cannot avoid by the use of reasonable measures available to it (including making payment through a paying agent located in another jurisdiction where this would be reasonable) as a result of:

- (a) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction affecting taxation which becomes effective on or after the date of the Indenture (or, if such Relevant Taxing Jurisdiction has become a Relevant Taxing Jurisdiction after the date of the Indenture, on or after the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under the Indenture); or
- (b) any change in, or amendment to, or introduction of, an official written position regarding the application or administration or interpretation of the laws, treaties, regulations or rulings of any Relevant Taxing Jurisdiction (including a holding, judgment or order by a court of competent jurisdiction) which becomes effective on or after the date of the Indenture (or, if such Relevant Taxing Jurisdiction has become a Relevant Taxing Jurisdiction after the date of the Indenture, on or after the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under the Indenture) (each of clause (a) above and this clause (b), a "Change in Tax Law").

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 60 days prior to the earliest date on which the Issuer or the relevant Guarantor would be obligated to make such

payment of Additional Amounts if a payment in respect of the Notes or the Guarantee were then due and (b) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the publication or, where relevant, mailing of any notice of redemption pursuant to the foregoing, the Issuer will deliver to the Trustee:

- (a) an Officer's Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred (including that such obligation to pay such Additional Amounts cannot be avoided by the Issuer or the relevant Guarantor taking reasonable measures available to it); and
- (b) an opinion of independent tax counsel of recognized standing, qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the Trustee to the effect that the Issuer or the relevant Guarantor, as the case may be, is or would be obliged to pay such Additional Amounts as a result of a Change in Tax Law.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of independent tax counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Holders.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meetings of November 26 and 27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

The foregoing provisions will apply *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Indenture.

Selection and Notice of Optional Redemption

The Issuer will publish a notice of any optional redemption of the Notes described above in accordance with the provisions of the Indenture described under "*—Notices.*" For so long as the Notes are listed on the Irish Stock Exchange and admitted for trading on the Global Exchange Market and its rules and regulations so require, the Issuer will inform the Irish Stock Exchange of the principal amount of the Notes that have not been redeemed in connection with any optional redemption. If less than all of the Notes are to be redeemed at any time, the Trustee or the Registrar, as applicable, will select Notes for redemption on a *pro rata* basis (or, in case of Notes issued in global form as discussed under "*Book-entry, Delivery and Form,*" based on a method that most nearly approximates *pro rata* selection as the Trustee deems fair and appropriate in accordance with the procedures of Euroclear and Clearstream), unless otherwise required by law or applicable stock exchange or depository requirements; *provided* that no such partial redemption will reduce the portion of the principal amount of a Note not redeemed to less than U.S.\$200,000. Neither the Trustee nor the Registrar will be liable for selections made by it in accordance with this paragraph.

In connection with any redemption of Notes, any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under the captions "*—Certain Covenants—Change of Control*" and "*—Certain Covenants—Limitation on Asset Sales.*" The Issuer and the Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise.

Certain Covenants

The Indenture will contain, among others, the following covenants.

Limitation on Debt

- (1) The Issuer will not, and will not permit any Restricted Subsidiary to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to “**Incur**” or, as appropriate, an “**Incurrence**”), any Debt (including any Acquired Debt); *provided* that the Issuer and any Restricted Subsidiary will be permitted to Incur Debt (including Acquired Debt) if:
 - (a) at the time of such Incurrence and after giving effect to the Incurrence of such Debt (including Acquired Debt) and the application of the proceeds thereof, on a *pro forma* basis, the Consolidated Fixed Charge Coverage Ratio for the four full fiscal quarters for which financial statements are available immediately preceding the Incurrence of such Debt (including Acquired Debt), taken as one period, would be greater than 2.0 to 1.0; and
 - (b) the debt to be Incurred is Senior Secured Debt, at the time of such Incurrence and after giving effect to the Incurrence of such Debt and the application of the proceeds thereof, on a *pro forma* basis, the Consolidated Senior Secured Leverage Ratio for the four full fiscal quarters for which financial statements are available immediately preceding the Incurrence of such Debt, taken as one period, is less than 3.5 to 1.0.

Notwithstanding the foregoing, but subject to the last proviso of paragraph (2) of this covenant, Non-Guarantor Restricted Subsidiaries may not Incur Debt pursuant to this paragraph (1) unless, at the time of such Incurrence and after giving effect to the Incurrence of such Debt and the application of the proceeds thereof, on a *pro forma* basis, the Consolidated Non-Guarantor Leverage Ratio for the four full fiscal quarters for which financial statements are available immediately preceding the Incurrence of such Debt, taken as one period, is less than 0.75 to 1.0.

- (2) This “*Limitation on Debt*” covenant will not, however, prohibit the following (collectively, “**Permitted Debt**”):
 - (a) the Incurrence by the Issuer or any Restricted Subsidiary of Debt under Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed the greater of €400.0 million and 22.3% of Consolidated Total Assets; *provided* that the aggregate principal amount of outstanding Debt that is permitted to be Incurred by a Non-Guarantor Restricted Subsidiary pursuant to this clause (a), including all Debt incurred to renew, refund, refinance, replace, defease or discharge any such Debt, shall not exceed the greater of €62.5 million and 4.5% of Consolidated Total Assets; *plus*, in the case of any refinancing of any Debt permitted under this clause (a) (including Debt permitted to be incurred by Non-Guarantor Restricted Subsidiaries) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;
 - (b) the Incurrence by the Issuer of Debt pursuant to the Notes (other than Additional Notes) and the Incurrence by the Guarantors of Debt pursuant to the Guarantees (other than Guarantees of Additional Notes);
 - (c) any Debt of the Issuer or any Restricted Subsidiary outstanding on the Issue Date (including the 2021 Notes and the 2025 Notes) after giving *pro forma* effect to the offering of the Notes and the use of proceeds therefrom;
 - (d) the Incurrence by the Issuer or any Restricted Subsidiary of intercompany Debt between the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; *provided* that:
 - (i) if the Issuer or a Guarantor is the obligor on any such Debt and the lender of such debt is not the Issuer or a Guarantor, such Debt is (except in respect of the intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Restricted Subsidiaries) expressly subordinated in right of payment to the prior payment in full in cash (whether upon Stated Maturity, acceleration or otherwise) and the performance in full of its obligations under the Notes or its Guarantee, as the case may be; and

- (ii) (x) any disposition, pledge or transfer of any such Debt to any Person (other than a disposition, pledge or transfer to the Issuer or a Restricted Subsidiary) and (y) any transaction pursuant to which any Restricted Subsidiary that has Debt owing to the Issuer or another Restricted Subsidiary ceases to be a Restricted Subsidiary, will, in each case, be deemed to be an Incurrence of such Debt not permitted by this clause (d);
- (e) the guarantee by the Issuer or any Restricted Subsidiary of Debt of the Issuer or any Restricted Subsidiary to the extent that the guaranteed Debt was permitted to be incurred by another provision of this covenant; *provided* that if the Debt being guaranteed is subordinated to or *pari passu* with the Notes or a Guarantee, then such guarantee must be subordinated or *pari passu*, as applicable, to the same extent as the Debt guaranteed;
- (f) the Incurrence by the Issuer or any Restricted Subsidiary of Debt represented by Capitalized Lease Obligations, mortgage financings, purchase money obligations or other Debt incurred for the purpose of financing all or any part of the purchase price, lease expense, charter expense, rental payments or cost of design or cost of development, construction, installation, transportation, maintenance, migration, upgrade or other improvement of property (real or personal or movable or immovable) or assets (including Capital Stock) used or usable in the Issuer's or any Restricted Subsidiary's business (including any reasonable related fees or expenses Incurred in connection therewith) and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Restricted Subsidiary owning such Capital Stock or otherwise and any Debt incurred pursuant to this clause (f) to renew, refund, refinance, replace, defease or discharge any Debt Incurred pursuant to this clause (f); *provided* that the principal amount of such Debt so Incurred when aggregated with other outstanding Debt then classified as Incurred in reliance on this clause (f) including all Debt Incurred pursuant to this clause (f) to renew, refund, refinance, replace, defease or discharge any Debt Incurred pursuant to this clause (f) shall not in the aggregate exceed the greater of €50.0 million and 3.6% of Consolidated Total Assets, *plus* with respect to any Permitted Refinancing Debt in respect thereof, amounts of the type set forth in clause (a)(ii) of the definition of Permitted Refinancing Debt;
- (g) the Incurrence by the Issuer or any Restricted Subsidiary of Debt arising from agreements providing for guarantees, indemnities or obligations in respect of purchase price adjustments or earn-outs or other similar obligations in connection with the acquisition or disposition of assets, including, without limitation, shares of Capital Stock, other than guarantees or similar credit support given by the Issuer or any Restricted Subsidiary of Debt Incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (g) will at no time exceed the gross proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received from the sale of such assets;
- (h) the Incurrence of Debt under Hedging Agreements entered into not for speculative purposes;
- (i) Debt in respect of (i) self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business, (ii) the discounting or factoring of Receivables for credit management purposes, (iii) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, (iv) the financing of insurance premiums in the ordinary course of business and (v) any customary cash management (including controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services), cash pooling, netting or setting off arrangements or daylight borrowing facilities in connection with customary cash management or cash pooling activities, in each case in the ordinary course of business;
- (j) the Incurrence by the Issuer or any Restricted Subsidiary of Debt arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds; *provided* that such Debt is extinguished within five Business Days of Incurrence;

- (k) Debt in an aggregate outstanding principal amount which, when taken together with any Permitted Refinancing Debt in respect thereof and the principal amount of all other Debt Incurred pursuant to this clause (k) and then outstanding, including all Debt incurred to renew, refund, refinance, replace, decrease or discharge any Debt incurred pursuant to this Clause (k), will not exceed 100% of the net cash proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its Capital Stock (other than Redeemable Capital Stock or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Redeemable Capital Stock or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such net cash proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under paragraph (2) and clauses (d) and (l) of paragraph (3) of the covenant described below under “—*Limitation on Restricted Payments*” to the extent the Issuer and its Restricted Subsidiaries incur Debt in reliance thereon and (ii) any net cash proceeds that are so received or contributed shall be excluded for purposes of Incurring Debt pursuant to this clause (k) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under paragraph (2) or clauses (d) and (l) of paragraph (3) of the covenant described below under “—*Limitation on Restricted Payments*” in reliance thereon;
- (l) Debt of any Persons, businesses or groups of related assets that are acquired by the Issuer or any Restricted Subsidiary, which Debt is outstanding on the date on which such Persons, business or assets becomes a Restricted Subsidiary or are otherwise merged, consolidated, amalgamated or otherwise combined with the Issuer or any Restricted Subsidiary and any Debt Incurred by such Person to finance the acquisition of such Person, business or asset or Debt Incurred by the Issuer or any Restricted Subsidiary to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided* that after giving effect to such acquisition or other transaction and after giving effect to the Incurrence of Debt pursuant to this clause (l), (i) either (A) the Issuer would be permitted to Incur at least €1.00 of additional Debt pursuant to the Consolidated Fixed Charge Coverage Ratio test set forth in clause (a) of paragraph (1) of this covenant or (B) the Consolidated Fixed Charge Coverage Ratio would not be less than it was immediately prior to such acquisition, merger, consolidation or other transaction and Incurrence of Debt pursuant to this clause (l) and (ii) to the extent that the Debt Incurred under this clause (l) constitutes Senior Secured Debt, either (A) the Issuer would be permitted to Incur at least €1.00 of additional Senior Secured Debt pursuant to the Consolidated Senior Secured Leverage Ratio test set forth in clause (b) of paragraph (1) of this covenant or (B) the Consolidated Senior Secured Leverage Ratio would not be greater than it was immediately prior to such acquisition, merger, consolidation or other transaction and Incurrence of Debt pursuant to this clause (l);
- (m) the Incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Debt in exchange for or the net proceeds of which are used to refund, replace or refinance Debt Incurred by it pursuant to, or described in, paragraph (1) and clauses (b), (c) (excluding Debt described in clause (d)(i) or (d)(ii)), (l) above and this clause (m) of this paragraph (2) of this “*Limitation on Debt*” covenant, as the case may be;
- (n) guarantees of any loans and advances to directors, officers or employees of the Issuer or any Restricted Subsidiary in an amount outstanding not to exceed at any one time €1.0 million;
- (o) take-or-pay obligations and customer deposits and advance payments received in the ordinary course of business from customers;
- (p) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Debt consisting of promissory notes issued to any current or former employee, director or consultant of the Issuer, any of its Subsidiaries or any of its Holding Companies (or permitted transferees, assigns, estates, or heirs of such employee, director or consultant), to finance the purchase or redemption of Capital Stock of the Issuer or any of its Holding Companies permitted by clause (a) of paragraph (3) of the covenant described below under “—*Certain Covenants—Limitation on Restricted Payments*;”

- (q) the Incurrence by the Issuer or any Restricted Subsidiary of Debt to the extent the net proceeds thereof are promptly deposited to defease the Notes as described below under “—*Defeasance*” or “—*Satisfaction and Discharge*;”
- (r) the Incurrence by the Issuer or any Restricted Subsidiary of Debt in connection with any Qualified Receivables Transactions;
- (s) subject to the final proviso of this paragraph (2), the Incurrence by the Issuer or any Restricted Subsidiary of Debt consisting of local lines of credit or working capital facilities in an aggregate principal amount at any one time outstanding, including all Debt incurred to renew, refund, refinance, replace, defease or discharge any Debt Incurred pursuant to this clause (s), not to exceed the greater of €70.0 million and 5.0% of Consolidated Total Assets; and
- (t) subject to the final proviso of this paragraph (2), the Incurrence by the Issuer or any Restricted Subsidiary of Debt (other than and in addition to Debt permitted under clauses (a) through (s) above) in an aggregate principal amount at any one time outstanding, including all Debt incurred to renew, refund, refinance, replace, defease or discharge any Debt Incurred pursuant to this clause (t), not to exceed the greater of €56.0 million and 4.0% of Consolidated Total Assets;

provided, however, notwithstanding anything to the contrary contained herein, Non-Guarantor Restricted Subsidiaries may not Incur Debt pursuant to clause (s) and (t) of this paragraph (2) unless, at the time of such Incurrence and after giving effect to the Incurrence of such Debt and the application of the proceeds thereof, on a *pro forma* basis, the Consolidated Non-Guarantor Leverage Ratio for the four full fiscal quarters for which financial statements are available immediately preceding the Incurrence of such Debt, taken as one period, is less than 0.75 to 1.0.

Notwithstanding the foregoing, in the event that the Issuer or any Guarantor provided letters of credit pursuant to any Credit Facility supporting other Debt of the Issuer or any Restricted Subsidiary, such other Debt shall not be included for purposes of determining any particular Incurrence of Debt.

- (3) For purposes of determining compliance with this “*Limitation on Debt*” covenant, in the event that an item of Debt meets the criteria of more than one of the categories of Permitted Debt described in clauses (a) through (t) of paragraph (2), or is entitled to be Incurred pursuant to paragraph (1) of this “*Limitation on Debt*” covenant, the Issuer will be permitted to classify such item of Debt on the date of its Incurrence in any manner that complies with this “*Limitation on Debt*” covenant. Debt under the Revolving Credit Facilities outstanding on the Issue Date will initially be deemed to have been Incurred on such date in reliance on the exception provided by clause (a) of paragraph (2) above. Any item of Debt initially classified as Incurred pursuant to one of the categories of Permitted Debt described in clauses (a) through (t) (other than (c) and (r) of paragraph (2) above, or is entitled to be Incurred pursuant to paragraph (1) of this “*Limitation on Debt*” covenant, may later be reclassified by the Issuer such that it will be deemed as having been Incurred pursuant to any other applicable clause of paragraph (2) or paragraph (1) of this “*Limitation on Debt*” covenant to the extent that such reclassified Debt could be Incurred pursuant to such other clause of paragraph (2) or paragraph (1) of this “*Limitation on Debt*” covenant at the time of such reclassification.
- (4) For purposes of determining compliance with any restriction on the Incurrence of Debt in euros where Debt is denominated in a different currency, the amount of such Debt will be the Euro Equivalent determined on the date such Debt was Incurred (in the case of term Debt) or committed (in the case of revolving Debt), or the Issue Date, in the case of Debt outstanding as of the Issue Date; *provided* that if any such Debt denominated in a different currency is subject to a Hedging Agreement (with respect to euros) covering principal amounts payable on such Debt, the amount of such Debt expressed in euros will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Debt Incurred in the same currency as the Debt being refinanced will be the Euro Equivalent of the Debt being refinanced determined on the date such Debt being refinanced was initially Incurred. If any Debt is incurred to refinance any Debt denominated in a currency other than euro, and such refinancing would cause the applicable euro denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction will be deemed to not have been exceeded so long as the amount of such Permitted Refinancing Debt does not exceed the amount set forth in clause (a) of the definition of Permitted Refinancing Debt under “—*Certain*

Definitions”. Notwithstanding any other provision of this “*Limitation on Debt*” covenant, for purposes of determining compliance with this “*Limitation on Debt*” covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies will not be deemed to exceed the maximum amount that the Issuer or a Restricted Subsidiary may Incur under this “*Limitation on Debt*” covenant.

- (5) For purposes of determining any particular amount of Debt under this “*Limitation on Debt*” covenant:
- (a) obligations in the form of letters of credit, guarantees or Liens, in each case supporting Debt otherwise included in the determination of such particular amount;
 - (b) any Liens granted pursuant to the equal and ratable provisions referred to in the “*Limitation on Liens*” covenant; and
 - (c) accrual of interest, accrual of dividends, the accretion or amortization of original issue discount or of accreted value, the obligation to pay commitment fees and the payment of interest or dividends in the form of additional Debt,
- will not, in any case, be treated as Debt.
- (6) Notwithstanding any other provision of this covenant, the maximum amount of Debt that the Issuer or any Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values. The amount of any Debt outstanding as of any date will be:
- (a) in the case of any Debt issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;
 - (b) the principal amount of the Debt, in the case of any other Debt; and
 - (c) in respect of Debt of another Person secured by a Lien on the assets of the specified Person, the lesser of:
 - (i) the Fair Market Value of such assets at the date of determination; and
 - (ii) the amount of the Debt of the other Person.

Limitation on Restricted Payments

- (1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each of which is a “**Restricted Payment**” and which are collectively referred to as “**Restricted Payments**”):
- (a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of the Issuer’s or any Restricted Subsidiary’s Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) (other than to the Issuer or any Wholly Owned Restricted Subsidiary) except for dividends or distributions payable solely in the Issuer’s Qualified Capital Stock;
 - (b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation), directly or indirectly, any of the Issuer’s Capital Stock or any Capital Stock of any direct or indirect Holding Company of the Issuer held by persons other than the Issuer or a Restricted Subsidiary;
 - (c) make any principal payment on, or repurchase, redeem, defease or otherwise acquire or retire any Subordinated Debt (other than intercompany Debt between the Issuer and any Restricted Subsidiary or among Restricted Subsidiaries) for value, other than (i) any principal payment, sinking fund payment or Stated Maturity paid on the scheduled due date or (ii) any purchase, repurchase or other acquisition of Debt in satisfaction of a principal payment, sinking fund payment or Stated Maturity due within one year of the date of such purchase, repurchase or other acquisition;
 - (d) make any principal or interest payment on, or repurchase, redeem, defease or otherwise acquire or retire any Subordinated Shareholder Funding (other than the payment of interest in the form of additional Subordinated Shareholder Funding); or
 - (e) make any Investment (other than any Permitted Investment) in any Person.

- (2) Notwithstanding paragraph (1) above, the Issuer or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:
- (a) no Default or Event of Default has occurred and is continuing;
 - (b) the Issuer could Incur at least €1.00 of additional Debt pursuant to the Consolidated Fixed Charge Coverage Ratio set forth in clause (a) of paragraph (1) of the “—*Limitation on Debt*” covenant; and
 - (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments declared or made after the Issue Date (excluding Restricted Payments permitted by paragraph (3) below other than clauses (a), (j) and (p)), is less than the sum of, without duplication:
 - (i) 50% of aggregate Consolidated Net Income on a cumulative basis during the period beginning on July 1, 2014 and ending on the last day of the Issuer’s last fiscal quarter ending prior to the date of such proposed Restricted Payment (or, if such aggregate cumulative Consolidated Net Income shall be a negative number, minus 100% of such negative amount); *plus*
 - (ii) 100% of the aggregate proceeds and the Fair Market Value of marketable securities or other assets received by the Issuer after the Issue Date as equity capital contributions, Subordinated Shareholder Funding or from the issuance or sale (other than to any Subsidiary) after the Issue Date of shares of the Issuer’s Qualified Capital Stock or warrants, options or rights to purchase shares of the Issuer’s Qualified Capital Stock (except, in each case to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock, Subordinated Shareholder Funding or Subordinated Debt as set forth in clauses (c) or (d) of paragraph (3) below) (excluding Excluded Contributions); *plus*
 - (iii) (x) 100% of the amount by which the Issuer’s Debt or Debt of any Restricted Subsidiary (to the extent such Debt is incurred after the Issue Date) is reduced on the Issuer’s consolidated balance sheet after the Issue Date upon the conversion or exchange (other than by a Subsidiary) of such Debt into the Issuer’s Qualified Capital Stock and (y) 100% of the aggregate proceeds received after the Issue Date by the Issuer from the issuance or sale (other than to any Subsidiary) of Redeemable Capital Stock that has been converted into or exchanged for the Issuer’s Qualified Capital Stock, together with, in the case of both clauses (x) and (y) of this clause (iii), the aggregate proceeds and the Fair Market Value of marketable securities and other assets received by the Issuer at the time of such conversion or exchange (excluding Excluded Contributions); *plus*
 - (iv) in the case of the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date, an amount (to the extent not included in Consolidated Net Income) equal to the Fair Market Value of such Unrestricted Subsidiary or Investment, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment or a Restricted Payment made pursuant to clauses (h) or (q) of the definition of Permitted Investment under “—Certain Definitions” or that was a Restricted Payment made pursuant to clause (o) of paragraph (3) below; *plus*
 - (v) upon the full and unconditional release of a Restricted Investment that is a guarantee made by the Issuer or a Restricted Subsidiary to any Person, an amount equal to the amount of such guarantee, excluding the amount of any such Investment in such Unrestricted Subsidiary that constituted a Restricted Payment that was made pursuant to clause (o) of paragraph (3) below; *plus*
 - (vi) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, such amount received in cash and the Fair Market Value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted

a Permitted Investment made pursuant to clauses (h) or (q) of the definition of Permitted Investment under “—Certain Definitions” or a Restricted Payment that was made pursuant to clause (o) of paragraph (3) below; *plus*

- (vii) % of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Issuer for such period.
- (3) Notwithstanding paragraphs (1) and (2) above, the Issuer and any Restricted Subsidiary may take the following actions:
- (a) the payment of any dividend or consummation of any redemption within 60 days after the date of its declaration or giving of such redemption notice if at such date of its declaration such payment or redemption would have been permitted by the provisions of this “*Limitation on Restricted Payments*” covenant;
 - (b) cash payments in lieu of issuing fractional shares pursuant to the exchange or conversion of any exchangeable or convertible securities;
 - (c) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Issuer or any Restricted Subsidiary or Holding Company of the Issuer held by any current or former officer, director or employee of the Issuer or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, shareholders’ agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed €2.5 million in any calendar year; and *provided, further*, that such amount may be increased in any period by an amount not to exceed the proceeds from the sale of Capital Stock by the Issuer or a Restricted Subsidiary (other than an Excluded Contribution) received by the Issuer or a Restricted Subsidiary during such calendar year, in each case, to members of management, directors or consultants of the Issuer, any of its Restricted Subsidiaries or any of its Holding Companies *plus* the cash proceeds of any key man life insurance policies held by the Issuer or any of its Restricted Subsidiaries received after the Issue Date, in each case, to the extent the proceeds have not otherwise been applied to the making of Restricted Payments pursuant to clause (d) of this paragraph or clause (c)(ii) of paragraph (2) above;
 - (d) the repurchase, redemption or other acquisition or retirement for value of any shares of the Issuer’s Capital Stock or the payment of or the repurchase, redemption or other defeasance or retirement for value or payment of principal or interest of any Subordinated Debt or Subordinated Shareholder Funding, or the payment of dividends in exchange for (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares or scrip), out of the proceeds of an issuance and sale (other than to a Subsidiary) of, or substantially concurrent contribution (other than an Excluded Contribution) in respect of, shares of the Issuer’s Qualified Capital Stock or issuance and sale of Subordinated Shareholder Funding, in each case to the extent the proceeds have not otherwise been applied pursuant to clause (c)(ii) of paragraph (2) above; and the repurchase, redemption or other acquisition or retirement for value of any Subordinated Debt in exchange for, or out of the proceeds of an Incurrence (other than to a Subsidiary) of, Permitted Refinancing Debt;
 - (e) the declaration or payment of any dividend to all holders of the Capital Stock of a Restricted Subsidiary on a *pro rata* basis or on a basis that results in the receipt by the Issuer or a Restricted Subsidiary of dividends or distributions of greater value than the Issuer or such Restricted Subsidiary would receive on a *pro rata* basis;
 - (f) the repurchase of Capital Stock deemed to occur upon the exercise of stock options, warrants or other convertible securities with respect to which payment of the cash exercise price has been forgiven if the cumulative aggregate value of such deemed repurchases does not exceed the cumulative aggregate amount of the exercise price of such convertible securities received;
 - (g) the declaration and payment of dividends to holders of any class or series of Redeemable Capital Stock or, in the case of a Restricted Subsidiary, Preferred Stock, in each case issued in accordance with the “—*Limitation on Debt*” covenant;

- (h) Permitted Payments to Holding Company;
 - (i) without duplication, payments pursuant to any tax sharing agreement or arrangement among the Issuer and its Restricted Subsidiaries and other Persons with which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return or with which the Issuer or any Restricted Subsidiary is a part of a group for tax purposes; *provided, however,* that such payments will not exceed the amount of tax that the Issuer and its Subsidiaries would owe on a stand-alone basis and the related tax liabilities of the Issuer and its Subsidiaries are relieved thereby;
 - (j) so long as no Default or Event of Default has occurred and is continuing, following an Initial Public Offering after the Issue Date, the payment of dividends on the Issuer's common stock (or the payment of dividends to a Holding Company to fund the payment by such Holding Company of dividends of such Holding Company's common stock) or payments made with respect to Subordinated Shareholder Funding not to exceed in any fiscal year the greater of (i) 6% of the net cash proceeds of such Initial Public Offering and any subsequent Equity Offering received by, and in the case of an Initial Public Offering or subsequent Equity Offering of a Holding Company, contributed to the common equity capital of, the Issuer, except to the extent that such proceeds are designated as constituting an Excluded Contribution, and (ii) 5% of the Market Capitalization, *provided* that in the case of clause (ii) the Consolidated Leverage Ratio is equal to or less than 2.75 to 1.0;
 - (k) the repurchase, redemption, acquisition or retirement or making of any other payments with respect to Subordinated Debt of the Issuer or any Restricted Subsidiary (i) with any Excess Proceeds remaining after the consummation of an Excess Proceeds Offer pursuant to the covenant described under the caption "*—Limitation on Asset Sales*" at a purchase price not greater than 100% of the principal amount of such Subordinated Debt *plus* accrued and unpaid interest or (ii) following a Change of Control pursuant to provisions similar to those described under "*—Change of Control*" but only (X) if required, if the Issuer shall have complied with the terms of the covenant described above under the caption "*—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all of the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Debt and (Y) at a purchase price not greater than 101% of the principal amount of such Subordinated Debt *plus* accrued and unpaid interest;
 - (l) Restricted Payments that are made with Excluded Contributions;
 - (m) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Debt owed to the Issuer or any of its Restricted Subsidiaries by, Unrestricted Subsidiaries;
 - (n) any Restricted Payment permitted under clause (i), (iv), (v) and (x) of paragraph (2) of the covenant described under "*—Limitation on Transactions with Affiliates;*"
 - (o) so long as no Default or Event of Default has occurred and is continuing, any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments outstanding under this clause (o) does not exceed the greater of €35.0 million and 2.5% of Consolidated Total Assets;
 - (p) so long as no Default or Event of Default has occurred and is continuing, any other Restricted Payment so long as after giving effect to such Restricted Payment on a *pro forma* basis, the Issuer's Consolidated Leverage Ratio is less than 2.0 to 1.0;
 - (q) the payment of any fees and purchases of Receivables and related assets in connection with a Qualified Receivables Transaction;
 - (r) to the extent constituting a Restricted Payment, distributions to Samvardhana Moterson Automotive Systems Group B.V. that occur as a result of the IPO Debt Pushdown undertaken in compliance with the covenant described under "*—IPO Debt Pushdown;*" *provided* that the Issuer and its Subsidiaries were in compliance with the covenant described under "*—IPO Debt Pushdown;*" or
 - (s) the making of payments and any reimbursements as contemplated by the section entitled "*Use of Proceeds*" in this Offering Memorandum.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.

Limitation on Layered Debt

Neither the Issuer nor any Guarantor will Incur any Debt (including Permitted Debt) that is contractually subordinated in right of payment to any other Debt of the Issuer or such Guarantor unless such Debt is also contractually subordinated in right of payment to the Notes and the applicable Guarantee on substantially identical terms; *provided, however*, that no Debt will be deemed to be contractually subordinated in right of payment to any other Debt of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a first or junior Lien basis.

Limitation on Transactions with Affiliates

- (1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets or property or the rendering of any service), with any Affiliate of the Issuer or any other Restricted Subsidiary having a value greater than the greater of €5.0 million and 0.3% of Consolidated Total Assets unless such transaction or series of transactions is entered into in good faith and:
 - (a) such transaction or series of transactions is on terms that, taken as a whole, are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could have been obtained in a comparable arm's length transaction with third parties that are not Affiliates;
 - (b) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case, having a value greater than the greater of €15.0 million and 1.0% of Consolidated Total Assets, such transaction or transactions have been approved by a majority of the Disinterested Members, if any, of the Board of Directors resolving that such transaction complies with clause (a) above; and
 - (c) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case, having a value greater than the greater of €30.0 million and 2.1% of Consolidated Total Assets, the Issuer will deliver to the Trustee a written opinion of an Independent Financial Advisor stating that the transaction or series of transactions is (x) fair to the Issuer or such Restricted Subsidiary from a financial point of view, taking account of all relevant circumstances or (y) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.
- (2) Notwithstanding the foregoing, the restrictions set forth in this description will not apply to:
 - (i) any directors' fees and similar arrangements (including the payment of directors' and officers' insurance premiums), consulting fees, employee compensation, collective bargaining or similar arrangements, employee and director bonuses, employment or consulting agreements and arrangements or employee benefit arrangements, including stock options, stock appreciation rights or similar equity or equity-like incentives or legal fees entered into in the ordinary course of business, and indemnification provided to, and the payment of reasonable and customary fees and reimbursements of expenses of, officers, directors, employees or consultants of the Issuer or any of its Restricted Subsidiaries;
 - (ii) any Permitted Investment (other than pursuant to clauses (c), (h), (j) (to the extent such guarantee, keepwell or similar arrangement is in respect of Debt of a Person that is not the Issuer or a Restricted Subsidiary) or (r) of the definition thereof under "—Certain Definitions") or any Restricted Payment not prohibited by the "—*Limitation on Restricted Payments*" covenant;
 - (iii) loans and advances to officers, directors and employees (or any amendment or transaction with respect thereto), in each case (X) in the ordinary course of business or consistent with

past practices, (Y) to fund such Person's purchase of Capital Stock of the Issuer or any direct or indirect Holding Company thereof, if the proceeds of any such loans to purchase Capital Stock under this clause (iii) are either received by the Issuer or contributed by such Holding Company of the Issuer and are excluded from the calculation under clause (c)(ii) of paragraph (2) of "*—Limitation on Restricted Payments*" above except to the extent such loans are actually repaid or (Z) otherwise in an aggregate amount not to exceed €2.5 million outstanding at any one time under this clause (iii);

- (iv) agreements and arrangements existing on the Issue Date (including the agreements, arrangements and courses of dealing described under the caption "*Certain Relationships and Related Party Transactions*") and any amendment, modification, extension or supplement thereto; *provided* that any such amendment, modification, extension or supplement to the terms thereof, taken as a whole, is not materially more disadvantageous to the Holders and to the Issuer and the Restricted Subsidiaries, as applicable, than the original agreement or arrangement as in effect on the Issue Date;
- (v) the issuance of securities pursuant to, or for the purpose of the funding of, employment arrangements, stock options and stock ownership plans, as long as the terms thereof are or have been previously approved by the Issuer's Board of Directors;
- (vi) the granting and performance of registration or similar rights for the Issuer's securities;
- (vii) transactions between or among the Issuer and the Restricted Subsidiaries or between or among Restricted Subsidiaries or any Person (other than an Unrestricted Subsidiary), including joint ventures, that is an affiliate of the Issuer solely because the Issuer owns, directly or indirectly through a Restricted Subsidiary, Capital Stock of, or controls, such Person;
- (viii) (a) any issuance of Capital Stock (other than Redeemable Capital Stock) of the Issuer or any Incurrence of or amendment to any Subordinated Shareholder Funding, and (b) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of, any stockholders agreement (including any purchase agreement relating thereto);
- (ix) transactions with customers, clients, lenders, suppliers, purchasers or sellers or other providers of goods or services, lessors or lessees of property, providers of employees or other labor or joint venture partners or Unrestricted Subsidiaries, in each case, in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Issuer or the Restricted Subsidiaries or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person (in each case, in the reasonable determination of members of the Board of Directors of the Issuer or the senior management thereof);
- (x) Permitted Payments to Holding Company and any payments by the Issuer or any Restricted Subsidiaries to the Permitted Holders for any customary financial advisory, financing, underwriting or placement services or in respect of other investing banking activities, including without limitation in connection with acquisitions or divestitures or any indemnification payments made as a result thereof, which payments are approved by a majority of the Issuer's Board of Directors in good faith;
- (xi) any purchases by the Issuer's Affiliates of Debt or Redeemable Capital Stock of the Issuer or any of its Restricted Subsidiaries the majority of which Debt or Redeemable Capital Stock is purchased by Persons who are not the Issuer's Affiliates; *provided* that such purchases by the Issuer's Affiliates are on the same terms as such purchases by such Persons who are not the Issuer's Affiliates;
- (xii) without duplication, payments pursuant to the tax sharing arrangements permitted under clause (i) of paragraph (3) under the caption "*—Limitation on Restricted Payments*" above;
- (xiii) transactions in which the Issuer or any Restricted Subsidiary, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (a) of paragraph (1) above;
- (xiv) any transaction effected as part of a Qualified Receivables Transaction; and

- (xv) transactions effected pursuant to or contemplated by agreements or arrangements between any Person and an Affiliate of such Person existing at the time such Person is acquired by, merged into or amalgamated, arranged or consolidated with the Issuer or any of its Restricted Subsidiaries; *provided* that such agreements or arrangements were not entered into in contemplation of such acquisition, merger, amalgamation, arrangement or consolidation, and that any amendment, modification, extension or supplement to the terms thereof, taken as a whole, is not materially more disadvantageous to the Holders and to the Issuer and the Restricted Subsidiaries, as applicable, than the original agreements or arrangements as in effect on the date of such acquisition, merger, amalgamation, arrangement or consolidation.

Limitation on Liens

The Issuer will not and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Debt upon any of their property or assets, now owned or hereafter acquired, except (1) in the case of any property or asset that does not constitute Collateral, (x) Permitted Liens or (y) Liens on property or assets that are not Permitted Liens (the “**Initial Lien**”) if payments due under the Notes and the Indenture are directly secured equally and ratably with (or in the case of Subordinated Debt, prior or senior thereto with the same relative priority as the Notes or such Guarantee, as applicable, shall have with respect to such Subordinated Debt) the obligations secured by the Initial Lien for so long as such obligations are so secured, and (2) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any Lien created for the benefit of the Holders pursuant to this covenant will provide by its terms that such Lien will be automatically and unconditionally released and discharged (a) upon the release and discharge of the Initial Lien other than as a consequence of an enforcement action with respect to the assets subject to such Lien or (b) as set forth under the caption “*Security—Releases.*”

Change of Control

- (1) If a Change of Control occurs at any time, then the Issuer will make an offer (a “**Change of Control Offer**”) to each Holder of Notes to purchase such Holder’s Notes, in whole or in part, in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (*provided* that Notes of U.S.\$200,000 or less may only be redeemed in whole and not in part) at a purchase price (the “**Change of Control Purchase Price**”) in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (the “**Change of Control Purchase Date**”).
- (2) Within 30 days following any Change of Control, the Issuer will:
- (a) cause a notice of the Change of Control Offer to be published, if at the time of such notice the Notes are listed on the Irish Stock Exchange and admitted to trading on the Global Exchange Market and to the extent that the rules and regulations of the Irish Stock Exchange so require, in the Irish Times (or another leading newspaper of general circulation in Ireland) or, to the extent and in the manner permitted by such rules and regulations, posted on the official website of the Irish Stock Exchange (www.ise.ie); and
 - (b) send notice of the Change of Control Offer by first class mail, with a copy to the Trustee, to each Holder of Notes to the address of such Holder appearing in the security register, which notice will state:
 - (i) that a Change of Control has occurred and the date it occurred;
 - (ii) the transaction or transactions giving rise to the Change of Control;
 - (iii) the Change of Control Purchase Price and the Change of Control Purchase Date, which will be a Business Day no earlier than 30 days nor later than 60 days after the date such notice is mailed, or such later date as is necessary to comply with any requirements under applicable securities laws or regulations;
 - (iv) that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless the Change of Control Purchase Price is not paid on such date;

- (v) that any Note or part thereof not tendered will continue to accrue interest; and
 - (vi) any other procedures that a Holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance (which procedures may also be performed at the office of the Paying Agent in London as long as the Notes are listed on the Irish Stock Exchange and admitted to trading on the Global Exchange Market and to the extent that the rules and regulations of the Irish Stock Exchange so require).
- (3) The Trustee (or an authenticating agent appointed by it), upon receipt of an authenticating order from the Issuer, will promptly authenticate and deliver a new Note or Notes in a principal amount equal to any unpurchased portion of Notes surrendered, if any, to the Holder of Notes in global form or to each Holder of certificated Notes; *provided* that each such new Note will be in a principal amount of U.S.\$200,000 or in integral multiples of U.S.\$1,000 in excess thereof; *provided* that no Holder may tender any Notes if as a result of such tender, such Holder would hold less than U.S.\$200,000 of Notes. The Issuer will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.
- (4) The Issuer will not be required to make a Change of Control Offer following a Change of Control if a third party has made, and not terminated, a tender offer for all of the Notes in the manner and at the times applicable to a Change of Control Offer, at a tender offer purchase price in cash equal to at least 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, and such third party purchases all of the Notes validly tendered and not withdrawn under such tender offer. In addition, the Issuer will not be required to make a Change of Control Offer if the Issuer has, prior to the time that is required to send a notice of the Change of Control Offer to the Trustee pursuant to paragraph (2) above, delivered notice to the Trustee of its intention to redeem Notes as described under the heading “—*Optional Redemption.*”

The Issuer and the Guarantors will comply with the applicable tender offer rules under applicable securities laws and regulations in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer and the Guarantors will comply with such applicable securities laws and regulations and will not be deemed to have breached their obligations under the Indenture by virtue of such conflict.

The occurrence of certain events that would constitute a Change of Control could constitute a default under one or more of the Revolving Credit Facilities. The Issuer’s future debt and the future debt of its Subsidiaries may also contain descriptions of certain events that, if they occurred, would require such debt to be repurchased. In addition, the exercise by the Holders of their right to require a repurchase of the Notes upon a Change of Control could cause a default under one or more of the Revolving Credit Facilities or any such future debt, even if the Change of Control itself does not, due to the possible financial effect on the Issuer or the Guarantors of such repurchase.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, and may be conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time of Change of Control Offer is made.

The provisions of the Indenture will not give Holders the right to require the repurchase of the Notes in the event of certain transactions including a reorganization, restructuring, merger or similar transaction that may adversely affect Holders, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Indenture, including those described under “—*Limitation on Debt.*” The existence, however, of a Holder’s right to require the Issuer to repurchase such Holder’s Notes upon a Change of Control may deter a third party from acquiring the Issuer or any of its Subsidiaries if such acquisition would constitute a Change of Control.

If a Change of Control Offer is made, the Issuer will not be able to provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Notes that might be delivered by Holders seeking to accept the Change of Control Offer. Even if sufficient funds were available, the terms of the other debt of the Issuer and its Subsidiaries may prohibit the repurchase of the Notes prior to their scheduled maturity. If the Issuer were not able to prepay any debt containing any such restrictions, or obtain requisite consents, the Issuer would be unable to fulfill its repurchase obligations to Holders who accept the Change of Control Offer. If a Change of Control Offer was not made or consummated or the Change of Control Purchase Price was not paid when due,

such failure would result in an Event of Default and would give the Trustee and the Holders the rights described under “—*Events of Default*.” An Event of Default under the Indenture, unless waived, would result in a cross default under certain of the financing arrangements described under “*Description of Certain Financing Arrangements*,” including under the Revolving Credit Facilities.

The definition of Change of Control includes a disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries to any Person. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of such phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the assets of the Issuer and the Restricted Subsidiaries. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder of Notes may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer’s obligation to make an offer to repurchase the Notes following a Change of Control may be waived or modified with the prior written consent of the Holders of a majority in principal amount of the Notes prior to or following the occurrence of the Change of Control. Please see the caption “—*Amendments and Waivers*.”

Limitation on Asset Sales

- (1) The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale unless:
 - (a) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Sale is not less than the Fair Market Value of the assets sold (as determined by the Issuer’s Board of Directors); and
 - (b) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Sale consists of:
 - (i) cash (including any Net Cash Proceeds received from the conversion within 180 days of such Asset Sale of securities, notes or other obligations received in consideration of such Asset Sale);
 - (ii) Cash Equivalents;
 - (iii) the assumption by the purchaser of (x) any liabilities recorded on the Issuer’s or such Restricted Subsidiary’s balance sheet or the footnotes thereto (other than contingent liabilities and Subordinated Debt), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obliged in respect of such liabilities or (y) Debt (other than Subordinated Debt) of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Debt as a result of such Asset Sale;
 - (iv) any Capital Stock or assets of the kind referred to in clauses (c) or (e) of paragraph (2) of this covenant;
 - (v) consideration consisting of Debt (other than Subordinated Debt) of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Debt is extinguished by the Issuer or the applicable Guarantor;
 - (vi) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate Fair Market Value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of €25.0 million and 1.8% of Consolidated Total Assets (with the Fair Market Value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value);
 - (vii) accounts receivable of a business retained by the Issuer or any Restricted Subsidiary, as the case may be, following the sale of such business; or
 - (viii) a combination of the consideration specified in clauses (i) through (vii) of this clause (b).

- (2) If the Issuer or any Restricted Subsidiary consummates an Asset Sale, the Net Cash Proceeds of the Asset Sale, within 365 days of the later of (i) the date of the consummation of such Asset Sale and (ii) the receipt of such Net Cash Proceeds, may be used by the Issuer or such Restricted Subsidiary to:
- (a) repay or prepay any then outstanding Senior Debt (i) that is *Pari Passu* Debt incurred under a Credit Facility (excluding Public Debt); (ii) of a Non-Guarantor Restricted Subsidiary; (iii) that is secured by a Lien on assets or property which were the subject of the Asset Sale and which did not constitute Collateral; (iv) that is *Pari Passu* Debt (other than as set forth in clause (a)(i)); *provided* that, in the case of this clause (iv), the Issuer (or the Issuer or its applicable Restricted Subsidiary) shall make an offer to all Holders on a *pro rata* basis to purchase their Notes in accordance with the provisions set forth below for an Excess Proceeds Offer;
 - (b) redeem Notes or purchase Notes pursuant to an offer to all Holders at a purchase price equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest (at the option of the Issuer or Restricted Subsidiary);
 - (c) acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;
 - (d) make a capital expenditure;
 - (e) acquire other assets (other than Capital Stock and cash or Cash Equivalents) not classified as current assets under IFRS that are used or useful in a Permitted Business;
 - (f) any combination of the foregoing; or
 - (g) enter into a binding commitment to apply the Net Cash Proceeds pursuant to clause (c), (d) or (e) of this paragraph, provided that, a binding commitment shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365-day period, if the investment has not been consummated by that date.

The amount of such Net Cash Proceeds not so used as set forth in this paragraph (2) constitutes “**Excess Proceeds**.” Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise use such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

- (3) When the aggregate amount of Excess Proceeds exceeds the greater of €15.0 million and 1.0% of Consolidated Total Assets, the Issuer will, within 15 Business Days of the end of the applicable period in paragraph (2) above, make an offer to purchase (an “**Excess Proceeds Offer**”) from all Holders and from the holders of any *Pari Passu* Debt, to the extent required by the terms thereof, on a *pro rata* basis, in accordance with the procedures set forth in the Indenture or the agreements governing any such *Pari Passu* Debt, the maximum principal amount (expressed as a minimum amount of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof) of the Notes and any such *Pari Passu* Debt that may be purchased with the amount of the Excess Proceeds. The offer price as to each Note and any such *Pari Passu* Debt will be payable in cash in an amount equal to (solely in the case of the Notes) 100% of the principal amount of such Note and (solely in the case of *Pari Passu* Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such *Pari Passu* Debt, plus, in each case, accrued and unpaid interest, if any, to the date of purchase.

To the extent that the aggregate principal amount of Notes and any such *Pari Passu* Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, the Issuer may use the amount of such Excess Proceeds not used to purchase Notes and *Pari Passu* Debt for purposes that are not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any such *Pari Passu* Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess Proceeds, the Notes and any such *Pari Passu* Debt to be purchased will be selected by the Registrar or the Paying Agent on a *pro rata* basis (based upon the principal amount of Notes and the principal amount or accreted value of such *Pari Passu* Debt tendered by each holder). Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

- (4) If the Issuer is obliged to make an Excess Proceeds Offer, the Issuer will purchase the Notes and Pari Passu Debt, at the option of the holders thereof, in whole or in part in a minimum amount of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof on a date that is not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such holders, or such later date as may be required under applicable securities laws and regulations.

If the Issuer is required to make an Excess Proceeds Offer, the Issuer will comply with the applicable tender offer rules under applicable securities laws and regulations, including the requirements of any applicable securities exchange on which Notes are then listed. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this “*Limitation on Asset Sales*” covenant, the Issuer will comply with such securities laws and regulations and will not be deemed to have breached its obligations described in this “*Limitation on Asset Sales*” covenant by virtue thereof.

No Impairment of Security Interest

- (1) Subject to paragraphs (2) and (3) below, the Issuer will not, and will not permit any of its Restricted Subsidiaries to, take or knowingly or negligently omit to take, any action which action or omission might or would have the result of materially impairing any security interest with respect to any of the assets comprising the Collateral for the benefit of the Holders (including the priority thereof), and the Issuer will not, and will not permit any of its Restricted Subsidiaries to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement any interest whatsoever in any of the Collateral; *provided* the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens in accordance with the Indenture.
- (2) The Indenture will provide that, at the direction of the Issuer and without the consent of the Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, mistakes, omission, defect or inconsistency therein; (ii) provide for any Permitted Collateral Liens; (iii) add to the Collateral; (iv) evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent; (v) comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement; (vi) evidence the succession of another Person to the Issuer, a Guarantor or any security provider, as applicable, and the assumption by such successor of the obligations under the Indenture, the Notes, the Guarantees, the Intercreditor Agreement and the Security Documents, as applicable, in each case, in accordance with “—*Merger, Consolidation or Sale of Assets*” or “—*IPO Debt Pushdown*,” as applicable; (vii) provide for the release of property and assets constituting Collateral from the Liens created under the Security Documents and/or the release of the Guarantee of a Guarantor, in each case, in accordance with (and if permitted by) the terms of the Indenture; (viii) conform the Security Documents to this “*Description of Notes*,” (ix) evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent; and (x) make any other change thereto that does not materially impair any security interest over any of the assets comprising the Collateral or otherwise adversely affect the Holders in any material respect; *provided, however*, that in the case of clauses (ii) and (x) above, no Security Document may be amended, extended, renewed, restated, supplemented, released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) or otherwise modified, unless contemporaneously with such amendment, extension, renewal, restatement, supplement, release and retaking, modification or renewal, the Issuer delivers to the Trustee, either:
- (a) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release and retaking or modification;
- (b) a certificate from the board of directors or chief financial officer of the relevant obligor (acting in good faith), in the form set forth as an exhibit to the Indenture, that confirms the solvency of the Person granting such Lien after giving effect to any transaction related to such amendment, extension, renewal, restatement, supplement, release and retaking or modification; or
- (c) an Opinion of Counsel, in form and substance satisfactory to the Trustee (subject to customary qualifications and exceptions) confirming that, after giving effect to any

transactions related to such amendment, extension, renewal, restatement, supplement, release and retaking or modification, the Lien or Liens securing the Notes created under the Security Documents as so amended, extended, renewed, restated, supplemented, released and retaken or modified remain valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release and retaking or modification.

- (3) Nothing in this “*No Impairment of Security Interest*” covenant will restrict the release or replacement of any security interests in compliance with the provisions set out under the caption “—*Security—Releases.*”
- (4) In the event that the Issuer complies with the requirements of this “*No Impairment of Security Interest*” covenant, the Trustee and/or the Security Agent (as the case may be) will consent to any such amendment, extension, renewal, restatement, supplement or modification without the need for instructions from the Holders.

IPO Debt Pushdown

At any time following the Issue Date, following at least 15 and not more than 60 days’ written notice to the Trustee and the Holders in accordance with the provisions set forth under “—*Notices,*” from the Issuer prior to the date that the IPO Debt Pushdown will occur (specifying such date) (the “**Pushdown Date**”), Samvardhana Motherson Automotive Systems Group B.V., the IPO Debt Pushdown Entity and the Trustee will execute and deliver an accession agreement (in the form attached as a schedule to the Indenture) pursuant to which the IPO Debt Pushdown Entity will assume (on the Pushdown Date) all of the obligations of Samvardhana Motherson Automotive Systems Group B.V. under the Notes, the Indenture and the Intercreditor Agreement (the “**IPO Debt Pushdown**”).

The IPO Debt Pushdown is subject to the following conditions:

- (1) prior to or concurrently with the IPO Debt Pushdown, the IPO Debt Pushdown Entity consummates a Qualifying IPO;
- (2) all Liens on the assets of Samvardhana Motherson Automotive Systems Group B.V. securing Debt of any of its subsidiaries (including the 2021 Notes, the 2025 Notes and Debt under the Revolving Credit Facilities) are, or have been, released;
- (3) immediately after giving effect to the IPO Debt Pushdown, (a) no Default or Event of Default shall have occurred or be continuing and (b) if the 2021 Indenture, the 2025 Indenture and/or one or more of the Revolving Credit Facilities will remain in place following the IPO Debt Pushdown, no default or event of default under the 2021 Indenture, the 2025 Indenture and/or the Revolving Credit Facilities shall have occurred and be continuing;
- (4) the receipt by the Trustee of an Officer’s Certificate from each Guarantor confirming that its Guarantee is in full force and effect and guarantees the obligations of the IPO Debt Pushdown Entity under the Notes;
- (5) the receipt (a) by the Trustee of an Officer’s Certificate from each grantor of a Lien over property and other assets constituting Collateral confirming that the relevant Lien (other than a Lien being released in compliance with this covenant in connection with the IPO Debt Pushdown) is in full force and effect and secures the obligations of IPO Debt Pushdown Entity under the Notes and the obligations of the relevant Guarantors under their Guarantees and/or (b) by the Security Agent of new Security Documents in respect of the Permanent Collateral securing the obligations of the IPO Debt Pushdown Entity under the Notes and the obligations of the Guarantors under their Guarantees on substantially the same terms (or terms that are more favorable to the Holders of the Notes) as the terms of the Security Documents constituting security interests in the Permanent Collateral immediately prior to the IPO Debt Pushdown;
- (6) immediately after giving effect to the IPO Debt Pushdown, pursuant to the Intercreditor Agreement and any Additional Intercreditor Agreement, the Notes (a) will be the general obligations of the IPO Debt Pushdown Entity, (b) will rank *pari passu* in right of payment with any existing and future Debt of the IPO Debt Pushdown Entity that is not subordinated in right of payment to the Notes (including the 2021 Notes, the 2025 Notes and any Debt under

the Revolving Credit Facilities), (c) will rank senior in right of payment to any existing and future Debt of the IPO Debt Pushdown Entity that is subordinated in right of payment to the Notes and (d) with respect to the obligations owed by the IPO Debt Pushdown Entity only, will not be subject to any enforcement standstill or payment block;

- (7) the Issuer shall have delivered to the Trustee an Officer's Certificate and Opinions of Counsel, each stating that the IPO Debt Pushdown, the Indenture, the Intercreditor Agreement and the relevant Security Documents (or any new Security Documents referred to in (5) above) creating security in respect of the Permanent Collateral are enforceable against the IPO Debt Pushdown Entity and that all relevant conditions precedent have been satisfied, it being acknowledged that any Opinion of Counsel may be subject to exceptions, limitations and exclusions that are customary for a transaction by this type of entity and are determined by counsel to be necessary or appropriate including in light of applicable law;
- (8) the IPO Debt Pushdown Entity shall have obtained all material governmental approvals and consents required by applicable law, if any, for such assumption and for the performance by the IPO Debt Pushdown Entity of its obligations under the Indenture, the Notes, the Intercreditor Agreement and the relevant Security Documents;
- (9) following the IPO Debt Pushdown, the Notes will continue to be listed on the Irish Stock Exchange and admitted for trading on the Global Exchange Market (or another relevant competent listing authority and/or exchange);
- (10) prior to the IPO Debt Pushdown, any cash, Cash Equivalents and assets (other than Capital Stock in the IPO Debt Pushdown Entity) held by Samvardhana Motherson Automotive Systems Group B.V. have been transferred to the IPO Debt Pushdown Entity or one of its Subsidiaries or to the extent not so transferred, would have been permitted to have been paid or transferred pursuant to the covenant described under the caption "*—Limitation on Restricted Payments;*" and
- (11) any outstanding fee arrangement between the Trustee and Samvardhana Motherson Automotive Systems Group B.V. is assumed by the IPO Debt Pushdown Entity.

Upon consummation of, or concurrently with, the IPO Debt Pushdown, the IPO Debt Pushdown Entity will succeed to, and be substituted for, and may exercise every right and power of, Samvardhana Motherson Automotive Systems Group B.V. under the Indenture, the Notes and the Intercreditor Agreement, and upon such substitution, Samvardhana Motherson Automotive Systems Group B.V. will be released from its obligations under the Indenture and the Notes.

For the avoidance of doubt, the Permanent Collateral shall secure the Notes and the Guarantees following the IPO Debt Pushdown. There can be no assurance that a Qualifying IPO will occur.

If the Notes are then listed on the Irish Stock Exchange and admitted for trading on the Global Exchange Market, the Issuer will publish a notice of the consummation of an IPO Debt Pushdown in a newspaper having general circulation in Ireland (which is expected to be the *Irish Times*) or, to the extent and in the manner permitted by the Irish Stock Exchange, post such notice on the official website of the Irish Stock Exchange (www.ise.ie).

Limitation on Holding Company Activities

Prior to a Qualifying IPO, the Issuer must not carry on any business or own any assets other than:

- (1) the ownership of Capital Stock of its Subsidiaries and other assets that are *de minimis* in nature; *provided* that the Issuer may from time to time receive in a transaction otherwise permitted under the Indenture and the Security Documents, properties and assets (including cash, Cash Equivalents, shares of Capital Stock of another Person and/or Debt and other obligations) for the purpose of transferring such properties and assets to any Holding Company, any Subsidiary or any other Person, so long as in any case such further transfer is made promptly by the Issuer and, after giving effect thereto, the Issuer is again in compliance with this clause;
- (2) the provision of administrative services (excluding treasury services, but including the on-lending of monies to its Subsidiaries), legal, accounting and management services to its Subsidiaries (including, without limitation, the employment and provisions to Subsidiaries of

management personnel) of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets necessary to provide such services;

- (3) the offering, sale, issuance and servicing, amendment, purchase, redemption, exchange, refinancing or retirement of the Notes, the 2021 Notes, the 2025 Notes, the Revolving Credit Facilities, or other Debt (or other items that are specifically excluded from the definition of Debt) permitted by the terms of the Indenture;
- (4) the incurrence of Debt (or other items that are specifically excluded from the definition of Debt) permitted by the terms of the Indenture (including activities reasonably incidental thereto, including performance of the terms and conditions of such Debt (or other items that are specifically excluded from the definition of Debt), to the extent such activities are otherwise permissible under the Indenture), and the granting of Liens permitted under the covenant described above under the caption “—*Limitation on Liens*;”
- (5) exercising rights and obligations arising under the Indenture, the Notes, the Intercreditor Agreement, the 2021 Indenture, the 2021 Notes, the 2025 Indenture, the 2025 Notes, the Revolving Credit Facilities and any other Debt Incurred in accordance with the Indenture;
- (6) the ownership of (i) cash, Cash Equivalents and (ii) other property to the extent contributed substantially concurrently to a Holding Company in compliance with the covenant described above under the caption “—*Limitation on Restricted Payments*;”
- (7) making Investments in the Notes and other Debt Incurred in accordance with the Indenture;
- (8) activities directly related or reasonably incidental to the establishment and/or maintenance of its or its Subsidiaries’ corporate existence; or
- (9) other activities not specifically enumerated above that are *de minimis* in nature.

Additional Guarantees

The Issuer will not cause or permit any of its Restricted Subsidiaries that are not Guarantors, directly or indirectly, to guarantee the payment of, assume or in any manner become liable with respect to, any other Debt of the Issuer or a Guarantor under any Credit Facility unless such Restricted Subsidiary simultaneously executes and delivers to the Trustee a supplemental indenture providing for the Guarantee of the payment of the Notes by such Restricted Subsidiary, which Guarantee will be senior to or *pari passu* with such Restricted Subsidiary’s Guarantee of such other Debt.

Each additional Guarantee will be limited as necessary to recognize certain defenses generally available to Guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law or regulation.

Notwithstanding the foregoing, the Issuer shall not be obligated to cause any Restricted Subsidiary to Guarantee the Notes to the extent that such Guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law, regulation or order of a regulator which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Issuer or the Restricted Subsidiary or any liability for the officers, directors or shareholders of such Restricted Subsidiary.

The Indenture will provide that any such additional Guarantee will be automatically and unconditionally released and discharged in the circumstances described under “—*Guarantees—Release of the Guarantees*.”

Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:
 - (a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits, in each case, to the Issuer or any Restricted Subsidiary;
 - (b) pay any Debt owed to the Issuer or any other Restricted Subsidiary;

- (c) make loans or advances to the Issuer or any other Restricted Subsidiary; or
- (d) transfer any of its properties or assets to the Issuer or any other Restricted Subsidiary;

provided that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Issuer or any Restricted Subsidiary to other Debt incurred by the Issuer or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(2) The provisions described in paragraph (1) above will not apply to:

- (a) (i) encumbrances and restrictions imposed by the Notes (including any Additional Notes), the Indenture, the Guarantees, the Intercreditor Agreement and any Additional Intercreditor Agreements, (ii) encumbrances and restrictions imposed by the 2021 Notes, the 2021 Indenture, the 2025 Notes, the 2025 Indenture, the Revolving Credit Facilities and the Security Documents, (iii) encumbrances or restrictions contained in any other agreement in effect on the Issue Date and, in the case of clauses (i), (ii) and (iii), any encumbrances or restrictions imposed by any amendments, modifications, restatements, renewals, extensions, increases, supplements, refundings, replacements or refinancings of those agreements; *provided* that, with respect to clause (ii) and (iii), such amendments, modifications, restatements, renewals, extension, increases, supplements, refundings, replacements or refinancings (taken as a whole) (x) are not materially more disadvantageous to the Holders (taken as a whole) than such encumbrances or restrictions contained in such agreements prior to such amendment, modification, restatement, renewal, extension, increase, supplement, refunding, replacement or refinancing or (y) will not materially affect the Issuer's ability to make principal or interest payments on the Notes as and when they come due (in each case, as determined in good faith by the Issuer);
- (b) encumbrances and restrictions: (i) that restrict in a customary manner the subletting, assignment or transfer of any properties or assets that are subject to a lease, license, conveyance or other similar agreement to which the Issuer or any Restricted Subsidiary is a party; and (ii) contained in operating leases for real property and restricting only the transfer of such real property upon the occurrence and during the continuance of a default in the payment of rent;
- (c) encumbrances or restrictions contained in any agreement or other instrument of a Person acquired by the Issuer or any Restricted Subsidiary in effect at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;
- (d) encumbrances or restrictions imposed by any Permitted Refinancing Debt; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Debt are not materially more disadvantageous to Holders, taken as a whole, than those contained in the agreements governing the Debt being refinanced (as determined in good faith by the Issuer);
- (e) encumbrances or restrictions contained in contracts for sales of Capital Stock or assets permitted by the "*—Limitation on Asset Sales*" covenant with respect to the assets or Capital Stock to be sold pursuant to such contract or in customary merger or acquisition agreements (or any option to enter into such contract) for the purchase or acquisition of Capital Stock or assets or any of the Issuer's Subsidiaries by another Person;
- (f) encumbrances or restrictions imposed by applicable law, regulation or order or by governmental licenses, concessions, franchises or permits or required by any regulatory authority;
- (g) encumbrances or restrictions on cash or other deposits or net worth imposed by customers or suppliers under contracts entered into the ordinary course of business;
- (h) customary limitations on the transfer of properties or assets arising or agreed to in the ordinary course of business, not relating to Debt, that do not individually or in the aggregate, detract materially from the value or usefulness of property or assets of the Issuer or any Restricted Subsidiary; *provided* that the Issuer determines that such encumbrance or restriction will not materially affect the Issuer's ability to make principal or interest payments on the Notes;

- (i) customary limitations on the distribution or disposition of assets or property of a Restricted Subsidiary in joint venture or similar agreements or other Investments entered into in good faith; *provided* that such encumbrance or restriction is applicable only to such Restricted Subsidiary;
- (j) customary encumbrances or restrictions in connection with purchase money obligations, mortgage financings and Capitalized Lease Obligations for property acquired in the ordinary course of business;
- (k) any encumbrance or restriction arising by reason of customary non assignment provisions in agreements;
- (l) Liens permitted to be incurred under the provisions of the covenant described under the caption “—*Limitation on Liens*” that limit the right to dispose of the assets subject to the Liens;
- (m) restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business;
- (n) any encumbrance or restriction pursuant to Hedging Agreements in respect of hedging obligations Incurred under clause (h) of the definition of Permitted Debt;
- (o) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Debt permitted to be Incurred after the Issue Date pursuant to the provisions of the covenant described under “—*Limitation on Debt*” if such encumbrance or restriction is not materially more disadvantageous to the Holders (taken as a whole) than is customary in comparable financings (as determined in good faith by the Issuer) and either: (x) the Issuer determines that such encumbrance or restriction will not materially affect the Issuer’s ability to make principal or interest payments on the Notes as and when they come due; or (y) such encumbrance or restriction applies only if a default occurs in respect of a payment or financial covenant relating to such Debt; or
- (p) any encumbrance or restriction effected in connection with a Qualified Receivables Transaction.

Designation of Unrestricted and Restricted Subsidiaries

- (1) The Issuer’s Board of Directors may designate any Subsidiary (including newly acquired or newly established Subsidiaries) other than the Issuer to be an “**Unrestricted Subsidiary**” only if:
 - (a) no Default has occurred and is continuing at the time of, or would occur and be continuing after giving effect to, such designation; and
 - (b) the Issuer would be permitted to make an Investment at the time of designation (assuming the effectiveness of such designation) pursuant to the “—*Limitation on Restricted Payments*” covenant or under one or more clauses of the definition of Permitted Investments in an amount equal to the Fair Market Value of the net assets of such Subsidiary.
- (2) In the event of any such designation, the Issuer will be deemed to have made an Investment constituting a Permitted Investment or a Restricted Payment pursuant to the “—*Limitation on Restricted Payments*” covenant, as determined by the Issuer, in an amount equal to the Fair Market Value of the net assets of such Subsidiary.
- (3) The Indenture will further provide that neither the Issuer nor any Restricted Subsidiary will at any time:
 - (a) provide a guarantee of, or similar credit support to, any Debt of any Unrestricted Subsidiary (including of any undertaking, agreement or instrument evidencing such Debt) (other than a pledge of the Capital Stock or Debt of any Unrestricted Subsidiary on a non-recourse basis as long as the pledgee has no claim whatsoever against the Issuer other than to obtain such pledged property), except to the extent permitted under the “—*Limitation on Restricted Payments*” and “—*Limitation on Transactions with Affiliates*” covenants; or
 - (b) be directly or indirectly liable for any Debt of any Unrestricted Subsidiary, except to the extent permitted under the “—*Limitation on Restricted Payments*” and “—*Limitation on Transactions with Affiliates*” covenants.

- (4) The Issuer's Board of Directors may designate any Unrestricted Subsidiary as a Restricted Subsidiary:
 - (a) if no Default or Event of Default has occurred and is continuing at the time of, or would occur and be continuing after giving effect to, such designation; and
 - (b) if the Debt of such Unrestricted Subsidiary would be permitted under the "*—Limitation on Debt*" covenant.
- (5) Any such designation as an Unrestricted Subsidiary or Restricted Subsidiary by the Issuer's Board of Directors will be evidenced to the Trustee by promptly filing a resolution of the Issuer's Board of Directors with the Trustee giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions, and giving the effective date of such designation.

Maintenance of Listing

The Issuer will use its reasonable efforts to obtain and maintain the listing of the Notes on the Irish Stock Exchange for so long as such Notes are outstanding; *provided* that if the Issuer is unable to obtain admission to listing of the Notes on the Global Exchange Market or if at any time the Issuer determines that it will not so list or maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of such Notes on another recognized stock exchange.

Reports to Holders

- (1) So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:
 - (a) within 120 days after the end of the Issuer's fiscal year beginning with the first fiscal year following the Issue Date, annual reports containing: (i) the audited consolidated balance sheet of the Issuer as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent three fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any acquisition or disposition that individually represents 20% or more of Consolidated EBITDA or Consolidated Total Assets on a *pro forma* basis that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (b) or (c) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials to the extent available without unreasonable expense; (iii) an operating and financial review of the audited financial statements with a level and type of detail that is substantially comparable in all material respects to the section in this Offering Memorandum entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," including a discussion of the results of operations, financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (iv) a description of the business and management of the Issuer; and (v) material risk factors and material recent developments;
 - (b) *within* 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Issuer beginning with the fiscal quarter ending June 30, 2016, quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any acquisition or disposition that individually represents 20% or more of Consolidated EBITDA or Consolidated Total Assets on a *pro forma* basis that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company

financials to the extent available without unreasonable expense; and (iii) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations of the Issuer and any material change between such most recent quarter year to date period and the corresponding period of the prior year; and

- (c) promptly after the occurrence of a material event that the Issuer announces publicly or any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.
- (2) (a) The Issuer shall also make copies of all reports furnished to the Trustee available on the Issuer's website and (b) if and so long as the Notes are listed on the Irish Stock Exchange and admitted to trading on the Global Exchange Market and to the extent that the rules and regulations of the Irish Stock Exchange so require, copies of such reports furnished to the Trustee will also be provided to the Paying Agent in London or posted on the official website of Irish Stock Exchange (www.ise.ie).
- (3) No report need include separate financial statements for any Guarantors or non-Guarantor Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth in paragraph (1) above will not be required to contain any reconciliation to U.S. generally accepted accounting principles.
- (4) At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "Reports to Holders" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.
- (5) All reports provided pursuant to this "Reports to Holders" covenant shall be made in the English language.
- (6) So long as any Notes are outstanding, the Issuer will also, promptly after furnishing to the Trustee the annual and quarterly reports required by clauses (a) and (b) of paragraph (2) above, hold a conference call with Holders of the Notes to discuss such reports and the results of operations for the relevant reporting period.

Merger, Consolidation or Sale of Assets

- (1) The Issuer will not, in a single transaction or through a series of transactions, (x) merge, consolidate, amalgamate or otherwise combine with or into any other Person or (y) sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of the Issuer's and the Restricted Subsidiaries' properties and assets to any other Person or Persons. The previous sentence will not apply if at the time and immediately after giving effect to any such transaction or series of transactions:
 - (a) either: (i) the Issuer will be the continuing corporation; or (ii) the Person (if other than the Issuer) formed by or surviving any such merger, consolidation, amalgamation or other combination or to which such sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Issuer and the Restricted Subsidiaries on a consolidated basis has been made (the "**Surviving Entity**");
 - (x) will be a corporation duly incorporated and validly existing under the laws of EU Member State, Switzerland, Canada, Japan, Australia, the United States of America, any state thereof, or the District of Columbia; and
 - (y) will expressly assume, obligations of the Issuer under the Notes, the Guarantees, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreements, and the Security Documents, pursuant to a supplemental indenture in form reasonably satisfactory to the Trustee; and the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents will remain in full force and effect as so amended or supplemented;

- (b) immediately after giving effect to such transaction or series of transactions, no Default or Event of Default will have occurred and be continuing;
- (c) immediately before and immediately after giving effect to such transaction or series of transactions on a *pro forma* basis (on the assumption that the transaction or series of transactions occurred on the first day of the four quarter fiscal period immediately prior to the consummation of such transaction or series of transactions with the appropriate adjustments with respect to the transaction or series of transactions being included in such *pro forma* calculation), the Issuer (or the Surviving Entity if the Issuer is not the continuing obligor under the Indenture) (i) could Incur at least €1.00 of additional Debt pursuant to the Consolidated Fixed Charge Coverage Ratio set forth in clause (a) of paragraph (1) of the “—*Limitation on Debt*” covenant or (ii) would have a Consolidated Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction; and
- (d) the Issuer or the Surviving Entity, as the case may be, has delivered to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officer’s Certificate and an Opinion of Counsel, each stating that such merger, consolidation, amalgamation or other combination or sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that the Notes; *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact, including as to satisfaction of clauses (b) and (c) of this paragraph (1).

Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

- (2) Subject to the provisions described under “—*Guarantees—Release of the Guarantees*,” no Guarantor will, in a single transaction or through a series of transactions, merge, consolidate, amalgamate or otherwise combine with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of such Guarantor’s properties and assets to any other Person or Persons. The previous sentence will not apply if at the time and immediately after giving effect to any such transaction or series of transactions:
 - (a) either (x) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made (such Guarantor or such Person, as the case may be, being herein called the “**Successor Guarantor**”) expressly assumes all the obligations of such Guarantor under its Guarantee, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents, pursuant to supplemental indentures and/or agreements in form reasonably satisfactory to the Trustee or (y) such sale, disposition or consolidation, amalgamation or combination is not in violation of the covenant “—*Limitation on Asset Sales*;” and
 - (b) immediately after such transaction, no Default or Event of Default exists and is continuing;
- (3) The provisions set forth in this “*Merger, Consolidation or Sale of Assets*” covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not the Issuer or a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary of the Issuer that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor, any Additional Intercreditor Agreement and the Security Documents; (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; and (v) an IPO Debt Pushdown, *provided* that the IPO Debt Pushdown complies with the covenant described under the caption “—*IPO Debt Pushdown*;” *provided* that, in the case of each of (ii) through (iv), clauses (a) and (d) of paragraph (1) above or clause (a) of paragraph (2) above, as applicable, shall apply to such transactions.

Payments for Consent

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder or beneficial owners of the Notes for, or as an inducement to, any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude Holders or beneficial owners of the Notes in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Covenant Suspension

If on any date following the date of the Indenture:

- (1) the Notes are rated as follows by two of the following three entities: “Baa3” or better by Moody’s, “BBB-” or better by S&P or “BBB-” or better by Fitch (or, if any such entity ceases to rate the Notes for reasons outside of the control of the Issuer, the equivalent investment grade credit rating from any other “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer as a replacement agency); and
- (2) no Default or Event of Default shall have occurred and be continuing,
then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions under the heading “—*Certain Covenants*” will be suspended:
 - (a) “—*Limitation on Debt*;”
 - (b) “—*Limitation on Restricted Payments*;”
 - (c) “—*Limitation on Layered Debt*;”
 - (d) “—*Limitation on Transactions with Affiliates*;”
 - (e) “—*Limitation on Asset Sales*;”
 - (f) “—*Additional Guarantees*;”
 - (g) “—*Designation of Unrestricted and Restricted Subsidiaries*;”
 - (h) “—*Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*;” and
 - (i) clause (c) of paragraph (1) of the covenant described above under the caption “—*Merger, Consolidation or Sale of Assets*.”

Notwithstanding the foregoing, if the rating assigned by either such rating agency should subsequently decline to below “Baa3,” “BBB-” or “BBB-,” respectively, the foregoing covenants will be reinstated as at and from the date of such rating decline. The period during which the covenants set forth above are suspended pursuant to this provision is the “**Suspension Period**.” The reinstatement of any covenants will not, however, be of any effect with regard to the actions of the Issuer and the Restricted Subsidiaries properly taken during the continuance of the Suspension Period; *provided* that, (1) with respect to any Restricted Payments made after any such reinstatement, the amount of Restricted Payments will be calculated as though the “—*Limitation on Restricted Payments*” covenant

had been in effect prior to, but not during, the Suspension Period and (2) all Debt incurred during the Suspension Period will be classified to have been incurred or issued pursuant to clause (c) of the definition of Permitted Debt under “—*Limitation on Debt*”. Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset to zero.

In addition, the Indenture also permits, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to be rated “Baa3,” “BBB-” or “BBB-” as long as the contractual commitments were entered into during the Suspension Period and not in anticipation of the Notes no longer being rated “Baa3,” “BBB-” or “BBB-.”

The Issuer shall notify the Trustee that the two conditions set forth in the first paragraph under this heading have been satisfied, *provided* that such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify Holders of such event.

There can be no assurance that the Notes will ever achieve or maintain an investment grade rating.

Events of Default

Each of the following will be an “**Event of Default**” under the Indenture:

- (1) default for 30 days in the payment when due of any interest or any Additional Amounts on any Note;
- (2) default in the payment of the principal of or premium, if any, on any Note at its Maturity (upon acceleration, optional or mandatory redemption, if any, required repurchase or otherwise);
- (3) failure to comply with the provisions of paragraph (1) of the covenant described under the caption “—*Certain Covenants—Merger, Consolidation or Sale of Assets*;”
- (4) failure to comply with any covenant or agreement of the Issuer or of any Restricted Subsidiary that is contained in the Indenture or any Guarantee (other than specified in paragraphs (1), (2) or (3) above) and such failure continues for a period of 60 days or more after written notice (i) to the Issuer by the Trustee or (ii) to the Issuer and the Trustee by the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class;
- (5) default under the terms of any instrument evidencing or securing Debt for money borrowed by the Issuer or any Restricted Subsidiary, if that default:
 - (x) results in the acceleration of the payment of such Debt prior to its express maturity; or
 - (y) is caused by the failure to pay such Debt at final maturity thereof after giving effect to the expiration of any applicable grace periods (and other than by regularly scheduled required prepayment) and such failure to make any payment has not been waived or the maturity of such Debt has not been extended,

and, in each case, the outstanding principal amount of any such Debt under which there has been a failure to pay at final maturity thereof or the payment of which has been so accelerated, aggregates €20.0 million or more;

- (6) either: (i) an early termination date is designated as a result of an event of default (howsoever described) by the Issuer under any Hedging Agreement, or (ii) the Issuer fails to pay, when due, any amounts in respect of an early termination date under a Hedging Agreement;
- (7) except as permitted in the Indenture, any Guarantee of any Guarantor that is a Significant Subsidiary ceases to be, or shall be asserted in writing by any such Guarantor, or any Person acting on behalf of any such Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Indenture, any Guarantee or the Intercreditor Agreement);
- (8) with respect to Collateral having a Fair Market Value in excess of €5.0 million, one or more of the Security Documents shall, at any time, cease to be in full force and effect, or a Security Document shall be declared invalid or unenforceable by a court of competent jurisdiction or

the relevant grantor of the security granted pursuant to a Security Document asserts, in any pleading in any court of competent jurisdiction, that any such Security Document is invalid or unenforceable for any reason other than the satisfaction in full of all obligations under the Indenture and the Notes and discharge of the Indenture and the Notes, other than, in each case, pursuant to limitations on enforceability, validity or effectiveness imposed by applicable law, regulation or order of a regulator or the terms of such Security Document or except in accordance with the terms of such Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreements or the Indenture, including the release provisions thereof, and any such Default continues for 10 days;

- (9) one or more final judgments, orders or decrees (not subject to appeal and not covered by insurance) shall be rendered against the Issuer or any Restricted Subsidiary either individually or in an aggregate amount, in each case, in excess of €20.0 million, which judgments, orders or decrees are not paid, discharged or stayed for a period of 60 days after the judgment becomes final; and
- (10) the occurrence of certain events of bankruptcy, insolvency or receivership described in the Indenture with respect to the Issuer, any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

If an Event of Default (other than as specified in paragraph (9) above) occurs and is continuing, the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer (and to the Trustee if such notice is given by the Holders) may, and the Trustee, upon the written request of such Holders, shall, declare the principal of, premium, if any, any Additional Amounts and accrued interest on all of the outstanding Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable.

If an Event of Default specified in paragraph (9) above occurs and is continuing, then the principal of, premium, if any, Additional Amounts and accrued and unpaid interest on all of the outstanding Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power conferred on the Trustee by the Indenture.

The Holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the Holders, (i) waive any past defaults under the Indenture, except a default in the payment of the principal of, premium, if any, and Additional Amounts or interest on any Note in which case, the consent of the Holders of 90% of the then outstanding Notes shall be required and (ii) rescind any acceleration and its consequences if (x) such rescission would not conflict with any judgment or decree of a court of competent jurisdiction, (y) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, interest and Additional Amounts, if any, on the Notes that have become due solely by such declaration of acceleration, have been cured or waived and (z) the Issuer has paid the Trustee its compensation and reimbursed the Trustee for any properly incurred expense, disbursements and advances.

No Holder has any right to institute any proceedings with respect to the Indenture or any remedy thereunder unless the Holders of at least 25% in aggregate principal amount of the outstanding Notes have made a written request and offered to the Trustee, and the Trustee has received, indemnity and/or security satisfactory to the Trustee against loss, liability or expense to institute such proceeding as Trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 60 days after receipt of such notice and the Trustee within such 60-day period has not received directions inconsistent with such written request by Holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a Holder for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.

If a Default or an Event of Default occurs, of which written notice has been provided to a responsible officer of the Trustee, and is continuing, the Trustee will deliver to each Holder of the Notes notice of the Default or Event of Default within 60 days after being notified of the Event of

Default. Except in the case of a Default or an Event of Default in the payment of principal of, premium, if any, Additional Amounts or interest on any Notes, the Trustee may withhold the giving of such notice to the Holders of such Notes if a committee of its trust officers in good faith determines that withholding the giving of such notice is in the best interests of the Holders.

The Issuer will be required to notify the Trustee within 15 Business Days of the occurrence of any Default.

The Indenture will provide that (i) if a Default occurs for a failure to report or deliver a required certificate in connection with another default (an “**Initial Default**”) then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled “—*Certain Covenants—Reports to Holders*” or otherwise to deliver any notice or certificate pursuant to any other provision of this Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

Defeasance

- (1) The Indenture will provide that the Issuer may, at its option and at any time prior to the Stated Maturity of the Notes, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes and Guarantees (“**Legal Defeasance**”). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Notes and Guarantees except as to:
 - (a) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, Additional Amounts and interest on such Notes when such payments are due;
 - (b) the Issuer’s obligations to issue temporary Notes, register, transfer or exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments on trust;
 - (c) the rights, powers, trusts, duties and immunities of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and
 - (d) the Legal Defeasance provisions of the Indenture.
- (2) In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Indenture (“**Covenant Defeasance**”) and thereafter any failure to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event that a Covenant Defeasance occurs, certain events described under “*Events of Default*” will no longer constitute an Event of Default with respect to the Notes. These events will not include events relating to nonpayment, bankruptcy, insolvency and receivership. The Issuer may exercise its Legal Defeasance option regardless of whether it has previously exercised any Covenant Defeasance.
- (3) In order to exercise either Legal Defeasance or Covenant Defeasance:
 - (a) the Issuer must irrevocably deposit or cause to be deposited on trust with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose), for the benefit of the Holders, cash in euro, European Government Obligations or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, investment bank or appraisal firm, to pay and discharge the principal of, premium, if any, Additional Amounts and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to maturity or to a particular redemption date;
 - (b) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee stating that: (x) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or (y) since the Issue Date, there has been a change in applicable U.S. federal income tax law, in either case to the effect that (and based thereon such opinion shall confirm that) the Holders and beneficial

- owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (c) in the case of Covenant Defeasance, the Issuer must have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee to the effect that the Holders and beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
 - (d) no Default or Event of Default will have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);
 - (e) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit), the Indenture;
 - (f) the Issuer must have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or other creditors, or removing assets beyond the reach of the relevant creditors or increasing debts of the Issuer to the detriment of the relevant creditors; and
 - (g) the Issuer must have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.
- (4) If the funds deposited with the Trustee to effect Covenant Defeasance are insufficient to pay the principal of, premium, if any, Additional Amounts and interest on the Notes when due because of any acceleration occurring after an Event of Default, then the Issuer and the Guarantors will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes as expressly provided for in the Indenture) when:

- (a) the Issuer has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated or appointed as agent by the Trustee for this purpose) as funds on trust for such purpose an amount in euro or European Government Obligations sufficient to pay and discharge the entire Debt on such Notes that have not, prior to such time, been delivered to the Paying Agent for cancellation, for principal of, premium, if any, and any Additional Amounts and accrued and unpaid interest on the Notes to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or redemption date, as the case may be, and the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of Notes at Stated Maturity or on the redemption date, as the case may be, and either:
 - (i) all of the Notes that have been authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for which payment money has been deposited on trust or segregated and held on trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture) have been delivered to the Paying Agent for cancellation; or
 - (ii) all Notes that have not been delivered to the Paying Agent for cancellation: (x) have become due and payable (by reason of the mailing of, or arrangements with the Trustee for the mailing of, a notice of redemption or otherwise); (y) will become due and payable within one year of Stated Maturity; or (z) are to be called for redemption within one year of the proposed discharge date under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the Issuer's name and at the Issuer's expense;

- (b) the Issuer or any Guarantor has paid or caused to be paid all sums payable by the Issuer under the Indenture; and
- (c) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided in the Indenture relating to the satisfaction and discharge of the Indenture have been satisfied; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (a) and (b)).

Amendments and Waivers

- (1) With the consent of the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), the Issuer, the Trustee and the Security Agent (as applicable) are permitted to modify, amend or supplement the Indenture, the Notes, the Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and/or the Security Documents or waive any Default, Event of Default or non-compliance with any provision of the Indenture, the Notes or the Guarantees; *provided* that no such modification, amendment, supplement or waiver may, without the consent of the Holders of at least 90% of the aggregate principal amount of the Notes then outstanding:
 - (a) change the Stated Maturity of the principal of, or any installment of Additional Amounts or interest on, any Note (or change any Default or Event of Default related thereto);
 - (b) reduce the principal amount of any Note (or Additional Amounts or premium, if any) or the rate of or extend the time for payment of interest on any Note (or change any Default or Event of Default related thereto);
 - (c) change the coin or currency in which the principal of any Note or any premium or any Additional Amounts or the interest thereon is payable;
 - (d) impair the right to institute suit for the enforcement of any payment of any Note in accordance with the provisions of such Note, the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreements;
 - (e) reduce the principal amount of Notes whose Holders must consent to any amendment, supplement or waiver of provisions of the Indenture;
 - (f) except as otherwise permitted under "*—Certain Covenants—Merger, Consolidation or Sale of Assets,*" consent to the assignment or transfer by the Issuer of any of the Issuer's rights or obligations under the Indenture;
 - (g) release all or substantially all of the Guarantors from their obligations under the Guarantees, except in compliance with the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreements; or
 - (h) release all or substantially all the Liens on the Collateral granted for the benefit of the Holders of the Notes, except in compliance with the terms of the Security Documents, Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreements.

Any modification, amendment, supplement or waiver consented to by Holders of at least 90% of the aggregate principal amount of the Notes then outstanding will be binding against any non-consenting Holders.
- (2) Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee and the Security Agent (as applicable) may modify, amend or supplement the Indenture, the Notes, the Guarantees, the Intercreditor Agreement, any Additional Intercreditor Agreement and/or the Security Documents:
 - (i) to evidence the succession of another Person to the Issuer or any Guarantor and the assumption by any such successor of the covenants in the Indenture and in the Notes in accordance with "*—Certain Covenants—Merger, Consolidation or Sale of Assets;*"
 - (ii) to add to the Issuer's covenants and those of any Guarantor or any other obligor in respect of the Notes for the benefit of the Holders or to surrender any right or power conferred upon the Issuer or any Guarantor or any other obligor in respect of the Notes, as applicable, in the Indenture, the Notes or any Guarantee;

- (iii) to cure any ambiguity or mistake or to correct or supplement any provision in the Indenture, the Notes, any Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document that may be defective or inconsistent with any other provision in the Indenture, the Notes, any Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document or make any other provisions with respect to matters or questions arising under the Indenture, the Notes, any Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document; or make any change that does not materially adversely affect the legal rights under the Indenture of the Holders of the Notes;
 - (iv) to conform the text of the Indenture, the Notes, any Guarantee, the Intercreditor Agreement or any Security Document to any provision of this “*Description of Notes*;”
 - (v) to release any Guarantor or Collateral in accordance with (and if permitted by) the terms of the Indenture, the Intercreditor Agreement and any Additional Intercreditor Agreements and the Security Documents;
 - (vi) to add a Guarantor or other guarantor under the Indenture;
 - (vii) to evidence and provide the acceptance of the appointment of a successor Trustee and/or Security Agent under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document;
 - (viii) to mortgage, pledge, hypothecate or grant a security interest in favor of the Trustee and/or Security Agent for the benefit of the Holders of the Notes as additional security for the payment and performance of the Issuer’s and any Guarantor’s obligations under the Indenture, in any property, or assets, including any of which are required to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Trustee pursuant to the Indenture or otherwise, or to enter into additional or supplemental Security Documents;
 - (ix) to provide for the issuance of Additional Notes in accordance with and if permitted by the terms of and limitations set forth in the Indenture;
 - (x) to provide for uncertificated Notes in addition to or in place of certificated Notes; or
 - (xi) to add additional parties to the Intercreditor Agreement, any Additional Intercreditor Agreement or any Security Document to the extent permitted hereunder or thereunder and to make changes contemplated under, or to enter into an Additional Intercreditor Agreement pursuant to the provisions under the heading “—*Intercreditor Agreement and Additional Intercreditor Agreements*.”
- (3) The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In formulating its opinion on such matters, each of the Trustee and the Security Agent shall be entitled to rely absolutely on such evidence as it deems appropriate, including Opinions of Counsel and Officer’s Certificates.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction or consent or any amendment, modification or other change to the Indenture, Notes owned by the Issuer or by an Affiliate of the Issuer will be disregarded and treated as if they were not outstanding.

Currency Indemnity

U.S. dollar is the sole currency of account and payment for all sums payable under the Notes, the Guarantees and the Indenture. Any amount received or recovered in respect of the Notes or the Guarantees in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, the winding up or dissolution of the Issuer or any Subsidiary or otherwise) by the Trustee or a Holder of the Notes in respect of any sum expressed to be due to such Holder from the Issuer or the Guarantors will constitute a discharge of the Issuer or such Guarantor’s obligation only to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or

recovery (or, if it is not possible to purchase U.S. dollars on that date, on the first date on which it is possible to do so). If the U.S. dollar amount that could be recovered following such a purchase is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Issuer and the Guarantors will jointly and severally indemnify the recipient against the cost of the recipient's making a further purchase of U.S. dollar in an amount equal to such difference. For the purposes of this paragraph, it will be sufficient for the Trustee or Holder to certify that it would have suffered a loss had the actual purchase of U.S. dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of U.S. dollars on that date had not been possible, on the first date on which it would have been possible). These indemnities, to the extent permitted by law:

- (a) constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations contained in the Indenture, the Notes and the Guarantees;
- (b) give rise to a separate and independent cause of action;
- (c) apply irrespective of any waiver granted by any Holder or the Trustee from time to time; and
- (d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Notices

Notices regarding the Notes will be published, if and for as long as the Notes are listed on the Irish Stock Exchange and admitted to trading on the Global Exchange Market and to the extent that the rules and regulations of the Irish Stock Exchange so require, in a newspaper having a general circulation in Ireland (which is currently expected to be the *Irish Times*), or to the extent and in the manner permitted by the rules and regulations of the Irish Stock Exchange, posted on the official website of the Irish Stock Exchange, www.ise.ie.

If and so long as the Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee or incorporator of the Issuer or any Guarantor or stockholder of the Issuer, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture, the Guarantees, the Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note will waive and release all such liability. The waiver and release will be part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

The Trustee

The Issuer shall deliver written notice to the Trustee within 30 days of becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Issuer or any Guarantor, the Indenture will limit the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *however*, if a responsible officer of the Trustee has actual knowledge that it has acquired any conflicting interest in its capacity as Trustee, it must eliminate such conflict within 90 days or resign as Trustee.

The Holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee on behalf of the Holders, subject to certain exceptions. In case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its rights or powers, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless such Holder has offered to the Trustee, and the Trustee has received, security and/or indemnity satisfactory to it against any loss, liability or expense.

The Issuer and the Guarantors jointly and severally will indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, fraud or willful misconduct on its part, arising out of or in connection with its duties.

Governing Law

The Indenture, the Notes and the Guarantees will be governed by and construed in accordance with the laws of New York. The Intercreditor Agreement and any non-contractual obligations arising out of it will be governed by and construed in accordance with the laws of England and Wales. The Security Documents will be governed by and construed in accordance with the laws of various jurisdictions.

Prescription

Claims against the Issuer or any Guarantor for payment of principal, interest and Additional Amounts, if any, on the Notes will become void unless presentment for payment is made (where so required under the Indenture) within, in the case of principal and Additional Amounts, if any, a period of ten years or, in the case of interest, a period of six years, in each case from the applicable original date of payment therefor.

Certain Definitions

“**2021 Indenture**” means the indenture dated July 10, 2014, as amended or supplemented from time to time, between, among others, the Issuer, the Guarantors, Deutsche Trustee Company Limited as trustee and Wilmington Trust (London) Limited as security agent.

“**2021 Notes**” means the Issuer’s €500 million in aggregate principal amount of 4.125% senior secured notes due July 15, 2021 issued July 10, 2014, together with any additional notes issued under the 2021 Indenture.

“**2025 Indenture**” means the indenture dated June 18, 2015, as amended or supplemented from time to time, between, among others, the Issuer, the Guarantors, Deutsche Trustee Company Limited as trustee and Wilmington Trust (London) Limited as security agent.

“**2025 Notes**” means the Issuer’s €100 million in aggregate principal amount of 3.700% senior secured notes due June 18, 2025 issued June 18, 2015, together with any additional notes issued under the 2025 Indenture.

“**Acquired Debt**” means Debt of a Person:

- (a) existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with the Issuer or any Restricted Subsidiary; or
- (b) assumed in connection with the acquisition of assets from any such Person.

Acquired Debt will be deemed to be Incurred on the date the acquired Person becomes a Restricted Subsidiary (or is merged into or consolidated with the Issuer or any Restricted Subsidiary, as the case may be) or the date of the related acquisition of assets from any Person.

“**Affiliate**” means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling,” “controlled” have meanings correlative to the foregoing.

“**Applicable Redemption Premium**” means, with respect to any Note on any redemption date, the greater of:

- (a) 1.0% of the principal amount of such Note; and
- (b) the excess of:
 - (i) the present value at such redemption date of: (x) the principal amount of such Note; plus (y) all required interest payments that would otherwise be due to be paid on such Note during the period between the redemption date and June 16, 2019 (excluding accrued but unpaid interest), computed using a discount rate equal to the U.S. Treasury Rate at such redemption date *plus* 50 basis points; over
 - (ii) the outstanding principal amount of such Note.

For the avoidance of doubt, the calculation of the Applicable Redemption Premium shall not be a duty or obligation of the Trustee or the Paying Agent.

“**Asset Sale**” means any sale, issuance, conveyance, transfer, lease or other disposition (including, without limitation, by way of merger, consolidation, amalgamation or other combination or Sale and Leaseback Transaction) (collectively, a “**transfer**”), directly or indirectly, in one or a series of related transactions, of:

- (a) any Capital Stock of any Subsidiary (other than directors’ qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or a Subsidiary);
- (b) all or substantially all of the properties and assets of any division or line of business of the Issuer or any Restricted Subsidiary; or
- (c) any other properties or assets of the Issuer or any of its Restricted Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (i) any single transaction or series of related transactions that involves assets or Capital Stock having a Fair Market Value of less than €10.0 million;
- (ii) any transfer or disposition of assets or Capital Stock by the Issuer to any Restricted Subsidiary, or by any Restricted Subsidiary to the Issuer or any Restricted Subsidiary, and otherwise in accordance with the terms of the Indenture;
- (iii) any transfer or disposition of obsolete, surplus, damaged or permanently retired equipment, facilities or inventory that are no longer useful in the conduct of the Issuer’s and any Restricted Subsidiary’s business;
- (iv) sales or dispositions of Receivables and related assets in connection with any Qualified Receivables Transaction and any factoring transaction in the ordinary course of business or on arms’ length terms;
- (v) any transfer or disposition of assets that is governed by the provisions of the Indenture described under “—*Certain Covenants—Merger, Consolidation or Sale of Assets*” or “—*Certain Covenants—Change of Control*;”
- (vi) the making of a Permitted Investment or any Restricted Payment made in compliance with “—*Certain Covenants—Limitation on Restricted Payments*.”
- (vii) the sale, lease, sublease, license, sublicense, assignment or other disposition of any real or personal property or any equipment, inventory, software or intellectual property, or other assets in the ordinary course of business;
- (viii) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Redeemable Capital Stock that is permitted by the covenant described above under “—*Certain Covenants—Limitation on Debt*;”
- (ix) any transfer, termination, unwinding or other disposition of Hedging Agreements not for speculative purposes;
- (x) sales of assets received by the Issuer or any Restricted Subsidiary upon the foreclosure on a Lien granted in favor of the Issuer or any Restricted Subsidiary;
- (xi) the foreclosure, abandonment, condemnation, taking by eminent domain or any similar action with respect to any property or other assets or any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims of any kind;
- (xii) the granting of Liens not prohibited by the covenant described above under the caption “—*Certain Covenants—Limitation on Liens*;”
- (xiii) the sale or other disposition of cash or Cash Equivalents;
- (xiv) the disposition of Receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (xv) the surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

- (xvi) the disposition of assets to a Person who is providing services (the provision of which has been or is to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets; and
- (xvii) any issuance, sale, transfer or other disposition of Capital Stock of, or Debt or other securities of, any Unrestricted Subsidiary.

“**Average Life**” means, as at the date of determination with respect to any Debt, the quotient obtained by dividing:

- (a) the sum of the products of:
 - (i) the numbers of years from the date of determination to the date or dates of each successive scheduled principal payment of such Debt; multiplied by
 - (ii) the amount of each such principal payment;
- by*
- (b) the sum of all such principal payments.

“**Beneficial Owner**” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “**Beneficially Owns**” and “**Beneficially Owned**” have a corresponding meaning.

“**Board of Directors**” means:

- (a) with respect to any corporation, the board of directors or managers of the corporation (which, in the case of any corporation having both a supervisory board and an executive or management board, shall be the executive or management board) or any duly authorized committee thereof;
- (b) with respect to any partnership, the board of directors of the general partner of the partnership or any duly authorized committee thereof;
- (c) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and
- (d) with respect to any other Person, the board or any duly authorized committee thereof or committee of such Person serving a similar function.

“**Business Day**” means a day other than a Saturday, Sunday or other day on which banking institutions in London, the Netherlands, New York, India, Germany or a place of payment under the Indenture are authorized or required by law to close.

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such Person’s equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets of, such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for, or convertible into, such Capital Stock, whether now outstanding or issued after the Issue Date.

“**Capitalized Lease Obligation**” means, with respect to any Person, any obligation of such Person under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be classified and accounted for as a capital lease obligation under IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a Capitalized Lease Obligation), and, for purposes of the Indenture, the amount of such obligation at any date will be the capitalized amount thereof at such date, determined in accordance with IFRS and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“Cash Equivalents” means any of the following:

- (a) Euro, U.S. dollars, sterling, Swiss francs, the national currency of any EU Member State or, in the case of any Restricted Subsidiary that is not organized or existing under the laws of the United States, any EU Member State or any state or territory thereof, such local currencies held by it from time to time in the ordinary course of business;
- (b) any evidence of Debt denominated in euro, sterling or U.S. dollars with a maturity of 365 days or less from the date of acquisition, issued or directly and fully guaranteed or insured by an EU Member State whose sole lawful currency on the Issue Date is euro, the government of the United Kingdom of Great Britain and Northern Ireland, the United States of America, any state thereof or the District of Columbia, or any agency or instrumentality thereof;
- (c) time deposit accounts, certificates of deposit, money market deposits or bankers’ acceptances denominated in euro, sterling or U.S. dollars with a maturity of 365 days or less from the date of acquisition, in each case, (i) issued by a financial institution that as of the Issue Date has an existing banking relationship with the Issuer or its Restricted Subsidiaries or any affiliate thereof; *provided* that in the case of this clause (i), such financial institution ranks, in terms of combined capital and surplus and undivided profit or the ratings on its long term debt, among the top five financial institutions in the jurisdiction of its organization or (ii) issued by a financial institution organized in an EU Member State, the United Kingdom of Great Britain and Northern Ireland or any commercial banking institution that is a member of the U.S. Federal Reserve System; *provided* that in the case of this clause (ii), such financial institution has a combined capital and surplus and undivided profits of not less than €250 million, has a long-term, unsecured, unsubordinated and unguaranteed debt rating, at the time any investment is made therein, of at least “A” or the equivalent thereof from S&P and at least “A2” or the equivalent thereof from Moody’s (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization);
- (d) commercial paper with a maturity of 365 days or less from the date of acquisition issued by a corporation that is not the Issuer’s or any Restricted Subsidiary’s Affiliate and which is incorporated under the laws of an EU Member State, the United Kingdom of Great Britain and Northern Ireland, the United States of America or any state thereof and, at the time of acquisition, having a short-term credit rating of at least “A-2” or the equivalent thereof from S&P or at least “P-2” or the equivalent thereof from Moody’s (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt;
- (e) repurchase obligations with a term of not more than seven days for underlying securities of the type described in clauses (b) and (c) above, entered into with a financial institution meeting the qualifications described in clause (c) above;
- (f) Debt issued by Persons (other than the Issuer or any of its Affiliates) with a rating of “A” or the equivalent thereof or higher from S&P or “A2” or the equivalent thereof or higher from Moody’s (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization), in each case with maturities not exceeding two years from the date of acquisition; and
- (g) Investments in money market mutual funds at least 95% of the assets of which constitute Cash Equivalents of the kind described in clauses (a) through (f) above or are otherwise rated “AAA” or higher by S&P and “Aaa” from Moody’s (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization).

Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clause (a) above, *provided* that such amounts are converted into any currency listed in clause (a) above as promptly as practicable and in any event within ten Business Days following the receipt of such amounts.

“**Change of Control**” means the occurrence of any of the following events:

- (a) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to any Person (including any “person” (as that term is used in Section 13(d)(3) of the Exchange Act)) other than a Permitted Holder (other than any such sale, lease, transfer, conveyance or other disposition of all or substantially all of the assets of the Issuer to an Affiliate of the Issuer for the purpose of reincorporating the Issuer in another jurisdiction, changing domicile or changing corporate form; *provided* that such transaction complies with the covenant described under the caption “—*Certain Covenants—Merger, Consolidation or Sale of Assets*”);
- (b) the adoption of a plan relating to the liquidation or dissolution of the Issuer; or
- (c) the consummation of any transaction as a result of which any Person (including any “person” as defined above) other than a Permitted Holder becomes the Beneficial Owner, directly or indirectly, of more than 50% of the issued and outstanding Voting Stock of the Issuer measured by voting power rather than number of shares; *provided* that no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent.

“**Clearstream**” means Clearstream Banking, *société anonyme*.

“**Commission**” means the U.S. Securities and Exchange Commission or any successor thereto.

“**Consolidated EBITDA**” means the sum of (A) Consolidated Net Income *plus* (or *minus*, if applicable, in the case of clauses (e) and (f) below) (B) in each case to the extent deducted (or added, if applicable, in the cases of clauses (e) and (f) below) in computing Consolidated Net Income for such period:

- (a) Consolidated Interest Expense;
- (b) Consolidated Tax Expense;
- (c) the aggregate depreciation, amortization (including amortization of goodwill and other intangibles and deferred financing fees, impairment charges and the impact of purchase accounting) and other non-cash expenses of the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with IFRS (excluding any such non-cash charge that requires an accrual of or reserve for cash charges for any future period);
- (d) any expenses, charges or other costs related to the issuance of any Capital Stock (including pursuant to an employee benefit plan), or any Permitted Investment, acquisition, disposition, recapitalization or listing or the incurrence of Debt permitted to be incurred under the covenant described above under the caption “—*Certain Covenants—Limitation on Debt*” (including any refinancing thereof) whether or not successful, including (i) such fees, expenses or charges related to any incurrence of Debt and (ii) any amendment or other modification of any Debt;
- (e) any foreign currency translation gains or losses (including losses relating to currency remeasurements of Debt) and gains or losses from Hedging Agreements of the Issuer and its Restricted Subsidiaries;
- (f) non-cash items increasing such Consolidated Net Income for such period (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (a) through (m) of the definition of Consolidated Net Income), other than the reversal of a reserve for cash charges in a future period in the ordinary course of business;
- (g) the proceeds of any business interruption insurance actually received during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;
- (h) the amount of any acquisition costs and any integration costs and expenses relating to or arising from any acquisitions, to the extent such costs were deducted in computing such Consolidated Net Income; and
- (i) to the extent actually reimbursed during such period, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income.

“**Consolidated Fixed Charge Coverage Ratio**” of the Issuer means, for any period, the ratio of (1) Consolidated EBITDA to (2) Consolidated Interest Expense. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Debt subsequent to the commencement of the period for which the Consolidated Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Fixed Charge Coverage Ratio is made (the “**Calculation Date**”), then the Consolidated Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Debt, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period (except that, in making such calculation, the amount of Debt under any revolving credit facility shall be computed based on the average daily balance of such Debt during such period); *provided, however*, that the *pro forma* calculation shall not give effect to (i) any Debt incurred on the Calculation Date pursuant to the provisions described in paragraph (2) under “—*Certain Covenants—Limitation on Debt*” (other than for the purpose of calculating the Consolidated Fixed Charge Coverage Ratio under clause (1) thereunder) or (ii) the discharge on the Calculation Date of any Debt to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in paragraph (2) under “—*Certain Covenants—Limitation on Debt*.”

In addition, for purposes of calculating the Consolidated Fixed Charge Coverage Ratio:

- (a) acquisitions and Investments that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reductions and synergies) as if they had occurred on the first day of the four-quarter reference period.
- (b) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period;
- (c) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;
- (d) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;
- (e) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period; and
- (f) if any Debt bears a floating rate of interest, the interest expense on such Debt will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any interest rate Hedging Agreement applicable to such Debt, and if any Debt is not denominated in the Issuer’s functional currency, that Debt for purposes of calculation of the Consolidated Fixed Charge Coverage Ratio shall be treated in accordance with IFRS).

“**Consolidated Interest Expense**” means, for any period, without duplication and in each case determined on a consolidated basis in accordance with IFRS, the sum of:

- (a) the Issuer’s and the Restricted Subsidiaries’ finance expenses (net of finance income) for such period, *plus*, to the extent not otherwise included in finance expenses:
 - (i) amortization of original issue discount (but not deferred financing fees, debt issuance costs, commissions, fees and expenses);

- (ii) any payments with respect to interest rate Hedging Agreements (excluding amortization of fees or any non-cash interest expense attributable to the movement in the mark-to-market valuation of such agreements);
- (iii) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and similar transactions (excluding commissions, discounts, yield and other fees and charges relating to any Qualified Receivables Transaction); and
- (iv) the interest portion of any deferred payment obligation; *plus*
- (b) the interest component of the Issuer's and the Restricted Subsidiaries' Capitalized Lease Obligations accrued and/or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations between or among the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; *plus*
- (c) the Issuer's and the Restricted Subsidiaries non-cash interest expenses and interest that was capitalized during such period (excluding any such interest in respect of any Subordinated Shareholder Funding); *plus*
- (d) any interest on Debt of another Person that is guaranteed by the Issuer or any of its Restricted Subsidiaries or secured by a Lien on assets of the Issuer or any of its Restricted Subsidiaries, to the extent paid in cash by the Issuer or its Restricted Subsidiaries; *plus*
- (e) all cash dividends paid on the Issuer's Redeemable Capital Stock or the Preferred Stock of the Issuer or its Restricted Subsidiaries, in each case excluding items eliminated in consolidation; *minus*
- (f) (i) accretion or accrual of discounted liabilities other than Debt, (ii) any expense resulting from the discounting of any Debt in connection with the application of purchase accounting in connection with any acquisition, (iii) interest with respect to Debt of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS and (iv) any non-cash interest expense and interest that was capitalized during such period relating to Subordinated Shareholder Funding.

"Consolidated Leverage" means, as of any date of determination, the sum of the total amount of Debt (other than Debt of the type specified in clauses (d), (g), (h), (i), (j), (n), (o), (p) and (r) of the definition of Permitted Debt) of the Issuer and its Restricted Subsidiaries on a consolidated basis.

"Consolidated Leverage Ratio" of the Issuer means, as of any date of determination, the ratio of (a) the Consolidated Leverage as of the end of the most recent quarterly period for which financial statements are available to (b) Consolidated EBITDA for the most recent four quarters for which financial statements are available; in each case, with such *pro forma* adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Fixed Charge Coverage Ratio.

"Consolidated Net Income" means, for any period, the Issuer's and the Restricted Subsidiaries' consolidated profit/(loss) for such period as determined in accordance with IFRS, and without any reduction in respect of Preferred Stock dividends, adjusted by excluding (to the extent included in such profit/(loss)), without duplication:

- (a) any goodwill or other intangible asset amortization or impairment charges;
- (b) the portion of net income or loss of any Person (other than the Issuer or a Restricted Subsidiary), including Unrestricted Subsidiaries, in which the Issuer or any Restricted Subsidiary has an equity ownership interest which is accounted for using the equity method of accounting, except that the Issuer's or a Restricted Subsidiary's equity in the net income of such Person for such period shall be included in such Consolidated Net Income to the extent of the aggregate amount of dividends or other distributions actually paid to the Issuer or any Restricted Subsidiary in cash dividends or other distributions during such period;
- (c) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of paragraph (2) of the "*Certain Covenants—Limitation on Restricted Payments*" covenant, the net income (but not the loss) of any Non-Guarantor Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary to the Issuer (or any Guarantor that holds

the Capital Stock of such Restricted Subsidiary, as applicable) is not at the date of determination permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released or the Issuer reasonably believes could be released or waived, (ii) restrictions pursuant to the Notes and the Indenture, the 2021 Notes, the 2021 Indenture, the 2025 Notes, the 2025 Indenture, or any of the Revolving Credit Facilities, (iii) contractual restrictions in effect on the Issue Date and any extensions thereof with respect to such Restricted Subsidiary, (iv) restrictions specified in clauses (a), (c) or (n) of paragraph (2) of the covenant described under “—*Certain Covenants—Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*” and (v) other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions that exist on the Issue Date), except that the Issuer’s or a Restricted Subsidiary’s equity in the net income of such Person for such period shall be included in such Consolidated Net Income to the extent of the aggregate amount of dividends or other distributions actually paid to the Issuer or any Restricted Subsidiary in cash dividends or other distributions during such period (or the portion thereof that would be permitted to be paid pursuant to the applicable restrictions);

- (d) any net gain arising from the acquisition of any securities or extinguishment, under IFRS, of any Debt of such Person;
- (e) any after-tax effect of gains or losses attributable to asset dispositions other than in the ordinary course of business and the net income or loss attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued);
- (f) any extraordinary, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs, acquisition costs, costs related to litigation or governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes; or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);
- (g) any expenses or other costs related to the Offering;
- (h) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards or any income (loss) attributable to deferred compensation plans or trusts and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;
- (i) all deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Debt and any net gain (loss) from any write off or forgiveness of Debt;
- (j) any increases in amortization or depreciation resulting from acquisition accounting, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization involving the Issuer or its Subsidiaries;
- (k) any unrealized gains or losses in respect of Hedging Agreements or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions;
- (l) any non-cash interest expense or interest that was capitalized, in each case in respect of Subordinated Shareholder Funding;
- (m) any unrealized foreign currency transaction gains or losses in respect of Debt of any Person denominated in a currency other than the functional currency of such Person, and any unrealized foreign currency transaction gains or losses in respect of Debt or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies; and

(n) the cumulative effect of a change in accounting principles.

“Consolidated Non-Guarantor Leverage” means the Consolidated Leverage (excluding Debt of the type specified in clause (a) of the definition of Permitted Debt as of the relevant date of calculation less the sum of the total amount of Debt (other than Debt of the type specified in clauses (a), (d), (g), (h), (i), (j), (n), (o), (p) and (r) of the definition of Permitted Debt) Incurred solely by the Issuer and/or one or more Guarantors as of the relevant date of calculation. Consolidated Non-Guarantor Leverage will be determined on the basis of the balance sheet of the Issuer and its Restricted Subsidiaries as of such date on a consolidated basis in accordance with IFRS and without regard for any Debt of the Issuer or a Restricted Subsidiary owed to the Issuer or a Restricted Subsidiary. For the avoidance of doubt, to the extent any Restricted Subsidiary that is not a Guarantor is a joint obligor with respect to any such Debt, Consolidated Non-Guarantor Leverage shall not be reduced by the amount of such Debt pursuant to this definition.

“Consolidated Non-Guarantor Leverage Ratio” means the Consolidated Leverage Ratio, but calculated by replacing Consolidated Leverage in clause (a) of such definition with Consolidated Non-Guarantor Leverage.

“Consolidated Senior Secured Leverage” means, as of any date of determination, the sum of the total amount of Senior Secured Debt of the Issuer and its Restricted Subsidiaries on a consolidated basis.

“Consolidated Senior Secured Leverage Ratio” of the Issuer means, as of any date of determination, the ratio of (a) the Consolidated Senior Secured Leverage as of the end of the most recent quarterly period for which financial statements are available to (b) Consolidated EBITDA for the most recent four quarters for which financial statements are available; in each case, with such *pro forma* adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Fixed Charge Coverage Ratio.

“Consolidated Tax Expense” means, for any period with respect to any Relevant Taxing Jurisdiction, the provision for all national, local and foreign federal, state or other taxes of the Issuer and the Restricted Subsidiaries for such period on income, profits or capital as determined on a consolidated basis in accordance with IFRS.

“Consolidated Total Assets” means, with respect to any specified Person at any time, the total assets of such Person and its Subsidiaries which are Restricted Subsidiaries, in each case, as shown on the most recent balance sheet of such Person, determined on a consolidated basis in accordance with IFRS, which shall be calculated on a *pro forma* basis giving effect to acquisitions or dispositions of assets to be made on the Calculation Date.

“Contingent Obligations” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Debt (**“primary obligations”**) of any other Person (the **“primary obligor”**), including any obligation of such Person, whether or not contingent:

- (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (b) to advance or supply funds:
 - (i) for the purchase or payment of any such primary obligation; or
 - (ii) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“Credit Facility” or **“Credit Facilities”** means, one or more debt facilities or indentures, as the case may be, instruments or arrangements (including the 2021 Indenture, the 2025 Indenture, the Revolving Credit Facilities, facilities in connection with any Qualified Receivables Transaction or commercial paper facilities and overdraft facilities) with banks, other institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions

against such receivables), letters of credit, notes or other Debt, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or trustees or other banks or institutions and whether provided under the 2021 Indenture, the 2025 Indenture, the Revolving Credit Facilities Agreements, or one or more other credit or other agreements, financing agreements or otherwise) and, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facilities” shall include any agreement or instrument (a) changing the maturity of any Debt Incurred thereunder or contemplated thereby, (b) adding Subsidiaries of the Issuer as additional borrowers, issuers or guarantors thereunder, (c) increasing the amount of Debt Incurred thereunder or available to be borrowed thereunder or (d) otherwise altering the terms and conditions thereof.

“**Debt**” means, with respect to any Person, without duplication:

- (a) the principal amount of all Debt of such Person for borrowed money;
- (b) the principal amount of the obligations of such Person to pay for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities Incurred in the ordinary course of business, due more than one year after such property is acquired or such services are completed;
- (c) the principal amount of all Debt of such Person evidenced by bonds, notes, debentures or other similar instruments;
- (d) all reimbursement obligations, of such Person in connection with any letters of credit, bankers’ acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments *plus* the aggregate amount of drawings thereunder that have not been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence), in each case, only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Debt;
- (e) all Capitalized Lease Obligations of such Person;
- (f) all obligations of such Person under or in respect of Hedging Agreements (the amount of any such obligations to be equal at any time to the net payments under such agreement or arrangement giving rise to such obligation that would be payable by such Person at the termination of such agreement or arrangement);
- (g) the principal amount of all Debt referred to in (but not excluded from) the preceding clauses (a) through (f) of other Persons, the payment of which is secured by any Lien upon the assets of such Person, (the amount of such obligation being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the obligation so secured);
- (h) all guarantees by such Person of the principal amount of Debt referred to in this definition of any other Person;
- (i) all Redeemable Capital Stock of such Person valued at its voluntary fixed repurchase price as if it were purchased on a date on which its value is required to be determined, or if the Redeemable Capital Stock does not have a fixed repurchase price, its Fair Market Value; and
- (j) the principal component of obligations, or liquidation value, of such person with respect to Preferred Stock of any Restricted Subsidiary,

if and to the extent any of the preceding items (other than letters of credit and Hedging Agreements) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS; *provided* that, notwithstanding any consolidation under IFRS, the preceding items shall not constitute “**Debt**” for purposes hereof if (i) such Debt is incurred by an orphan vehicle whose shares are not owned by such specified Person or any of its Subsidiaries and (ii) such Debt is neither guaranteed by, nor secured by the assets of, such specified

Person or any of its Subsidiaries; and *provided further* that Debt with respect to which the obligor of such Debt has created an account with a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least “A” or the equivalent thereof by S&P and “A2” or the equivalent thereof by Moody’s and has deposited in such account cash in an amount equal to or greater than the principal amount of such Debt in order to hold such cash in custody for the benefit of the holder of such Debt and for the purpose of securing and servicing such Debt shall not be included in any calculation of Debt for so long as such cash is deposited for such purpose; *provided further* that any Debt which has been defeased pursuant to the deposit of cash or Cash Equivalents (in an amount sufficient to satisfy all such Debt obligations at maturity or redemption, as applicable, and all payments of interest and premium, if any) in a trust or account created or pledged for the sole benefit of the holders of such Debt, and subject to no other Liens, shall not constitute “**Debt**.”

The term “**Debt**” shall not include: (i) non-interest bearing installment obligations, Contingent Obligations Incurred in the ordinary course of business and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due; (ii) anything accounted for as an operating lease or that would be accounted for as an operating lease in accordance with IFRS as in effect on the Issue Date; (iii) any obligations in respect of workers’ compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes; (iv) any Subordinated Shareholder Funding; (v) any prepayments or deposits received from customers or obligations in respect of funds held on behalf of customers, in each case, in the ordinary course of business; (vi) any obligations under any license, permit or approval or guarantees thereof incurred prior to the Issue Date in the ordinary course of business; and (vii) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid in a timely manner.

“**Default**” means any event that is, or after the giving of notice or passage of time or both would be, an Event of Default.

“**Designated Non-Cash Consideration**” means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash and Cash Equivalents received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the “—*Certain Covenants—Limitation on Asset Sales*” covenant.

“**Disinterested Member**” means, with respect to any transaction or series of related transactions, a member of the Issuer’s Board of Directors who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions. A member of the Issuer’s Board of Directors will not be deemed to have such a financial interest solely by reason of such member holding Capital Stock of the Issuer or any Holding Company or any options, warrants or other rights in respect of such Capital Stock or being a creditor under any shareholder funding.

“**Equity Offering**” means any public or private sale of Capital Stock (other than Redeemable Capital Stock) of the Issuer or any Holding Company of the Issuer, other than (a) public offerings on Form S-4 or S-8 or equivalent forms in jurisdictions other than the United States or (b) an issuance to any Subsidiary of the Issuer.

“**Escrowed Proceeds**” means the proceeds from the offering of any debt securities or other Debt paid into an escrow account with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term “**Escrowed Proceeds**” shall include any interest earned on the amounts held in escrow.

“**EU Member State**” means any member state of the European Union.

“euro” or “€” means the lawful currency of the EU Member States that participate in the third stage of the European Economic and Monetary Union.

“Euro Equivalent” means, with respect to any monetary amount in a currency other than euro, at any time for the determination thereof, the amount of euro obtained by converting such foreign currency involved in such computation into euro at the spot rate for the purchase of euro with the applicable foreign currency as published under “*Currency Rates*” in the section of *The Financial Times* entitled “*Currencies, Bonds & Interest Rates*” on the date two Business Days prior to such determination.

“Euroclear” means Euroclear Bank SA/NV.

“European Government Obligations” means direct obligations (or certificates representing an ownership interest in such obligations) of an EU Member State (including any agency or instrumentality thereof) for the payment of which the full faith and credit of such government is given.

“European Union” means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“Excluded Contribution” means the net cash proceeds received by the Issuer as capital contributions to the equity (other than through the issuance of Redeemable Capital Stock) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Redeemable Capital Stock) of the Issuer or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Issuer delivered substantially concurrent with such contribution.

“Existing Revolving Credit Facilities” means the existing revolving credit facilities governed by the Existing Revolving Credit Facilities Agreement.

“Existing Revolving Credit Facilities Agreement” means the €350.0 million revolving credit facilities agreement dated June 18, 2015 between, among others, the Issuer, Australia and New Zealand Banking Group Limited and others as mandated lead arranger and Standard Chartered Bank as agent and Wilmington Trust (London) Limited as the Security Agent, as described in “*Description of Certain Financing Arrangements—Revolving Credit Facilities*”.

“Fair Market Value” means, with respect to any asset or property, the sale value that would be obtained in an arm’s length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Issuer’s chief executive officer, chief financial officer or responsible accounting or financial officer.

“Fitch” means Fitch, Inc. or any successor to its ratings business.

“guarantee” means, as applied to any Debt:

- (a) a guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), direct or indirect, in any manner, of any part or all of such Debt; and
- (b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such Debt, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

“Guarantee” means any guarantee of the Issuer’s obligations under the Indenture and the Notes by the Issuer, any Restricted Subsidiary of the Issuer or any other Person in accordance with the provisions of the Indenture. When used as a verb, “Guarantee” shall have a corresponding meaning.

“Guarantors” means each of (1) the Initial Guarantors, (2) the Post-Closing Guarantors and (3) any other Subsidiary of the Issuer that executes a Guarantee in accordance with the provisions of the Indenture.

“**Hedging Agreements**” means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, foreign exchange contracts, currency swap agreement or similar agreement providing for the transfer or mitigation of interest rate, commodity price or currency risks either generally or under specific contingencies.

“**Holder**” means the Person in whose name a Note is recorded on the Registrar’s books.

“**Holding Company**” of a Person means any other Person (other than a natural person) of which the first Person is a Subsidiary and who does not own, directly or indirectly, any material assets other than (i) cash and Cash Equivalents; and (ii) the shares, other debt or equity interests of the Issuer.

“**IFRS**” means International Financial Reporting Standards as adopted by the European Union, as in effect on the Issue Date.

“**Independent Financial Advisor**” means an investment banking firm, bank, accounting firm or third party appraiser, in any such case, of international standing; *provided* that such firm is not an Affiliate of the Issuer.

“**Initial Public Offering**” means the first public offering of common stock or common equity interests of the Issuer or any IPO Holding Company of the Issuer (the “**IPO Entity**”) following which such common stock or common equity interests are listed on an internationally recognized securities exchange and have a market value in excess of €100.0 million on the date of such Initial Public Offering.

“**Intercreditor Agreement**” means that certain Intercreditor Agreement dated July 10, 2014, as amended from time to time, by and among, among others, the Issuer, certain subsidiaries of the Issuer, the Security Agent, the applicable agents and lenders under the Revolving Credit Facilities Agreements, the Trustee (on behalf of itself and the Holders of the Notes), the trustee under the 2021 Indenture, the 2025 Indenture, the Hedge Counterparties, if any, the Intra-Group Lenders and the Shareholders (each as defined therein).

“**Investments**” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other similar obligations, but excluding advances or extensions of credit to customers or suppliers made in the ordinary course of business), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions in consideration of Debt, Capital Stock or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. Endorsement of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary of the Issuer sells or otherwise disposes of any Capital Stock of any direct or indirect Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Issuer, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer’s Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the definition of Fair Market Value. The acquisition by the Issuer or any Subsidiary of the Issuer of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Subsidiary in such third Person in an amount equal to the Fair Market Value. With respect to any investment made after the Issue Date in any Person that is not the Issuer or a Restricted Subsidiary, at the time such Person is designated as, or becomes, a Restricted Subsidiary or is merged with or into the Issuer or a Restricted Subsidiary will be considered a reduction in outstanding Investments. Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

“**IPO Holding Company**” means a Holding Company that does not own, directly or indirectly, any material assets other than (i) cash and Cash Equivalents; and (ii) the shares, other debt or equity interests of the Issuer or any other Holding Company that is an IPO Holding Company.

“**Issue Date**” mean June 16, 2016.

“**Issuer**” means, prior to the IPO Debt Pushdown, Samvardhana Motherson Automotive Systems Group B.V. and, on and after the IPO Debt Pushdown, the IPO Debt Pushdown Entity, and, in each case, any successor interest thereto.

“**Lien**” means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation, assignment for or by way of security or other encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired.

“**Market Capitalization**” means an amount equal to (a) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date the relevant Restricted Payment is made, *multiplied by* (b) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date the relevant Restricted Payment is made.

“**Maturity**” means, with respect to any debt, the date on which any principal of such debt becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

“**Moody’s**” means Moody’s Investors Service, Inc. or any successor to its rating business.

“**Nationally Recognized Statistical Rating Organization**” means a nationally recognized statistical rating organization within the meaning of 3(c)(62) under the Exchange Act.

“**Net Cash Proceeds**” means, with respect to any Asset Sale, the cash proceeds thereof including payments in respect of deferred payment obligations when received, in the form of, or Cash Equivalents or stock or other assets when disposed for, cash (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of:

- (a) sales or brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel, accountants, investment banks and other consultants) related to such Asset Sale and any relocation expenses as a result of such Asset Sale;
- (b) provisions for all taxes paid or payable, or required to be accrued as a liability under IFRS as a result of such Asset Sale;
- (c) all distributions and other payments required to be made to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets (or entity that holds the assets) subject to the Asset Sale; and
- (d) appropriate amounts required to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve in accordance with IFRS against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations or purchase price adjustment obligations associated with such Asset Sale.

“**Officer’s Certificate**” means a certificate signed by an officer of the Issuer, a Guarantor or a Surviving Entity, as the case may be, and delivered to the Trustee.

“**Opinion of Counsel**” means an opinion from legal counsel who is reasonably acceptable to the Trustee that meets the requirements set out in the Indenture and is delivered to the Trustee. The counsel may be an employee of or counsel to the Issuer or any Subsidiary of the Issuer.

“**Pari Passu Debt**” means (a) any Debt of the Issuer that ranks equally in right of payment with the Notes or (b) any Debt of a Guarantor that ranks equally in right of payment to such Guarantor’s Guarantee.

“**Payment Business Day**” means a day other than a Saturday, Sunday or other day on which banking institutions in New York are authorized or required by law to close.

“**Permitted Business**” means (a) any businesses, services or activities engaged in by the Issuer or any of its Restricted Subsidiaries, Unrestricted Subsidiaries or joint ventures on the Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of its Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“**Permitted Collateral Liens**” means:

- (a) Liens on the Collateral to secure the Notes (or the Guarantees) or any Additional Notes (or any Guarantee of Additional Notes) and any Permitted Refinancing Debt in respect thereof; *provided* that each of the parties thereto will have entered into the Intercreditor Agreement or

an Additional Intercreditor Agreement; *provided further* that all property and assets (including, without limitation, the Collateral) securing such Additional Notes (or any guarantee of Additional Notes) or Permitted Refinancing Debt secures the Notes and the Guarantees on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions of any intercreditor agreement or other agreement);

- (b) Liens on the Collateral to secure (i) Senior Debt permitted by clauses (a), (e) (to the extent such guarantee is in respect of Debt otherwise permitted to be secured by the Collateral), (l), (s) and (t) of the definition of Permitted Debt and (ii) Senior Secured Debt permitted by paragraph (1) of the covenant entitled “—*Certain Covenants—Limitation on Debt*” and Permitted Refinancing Debt in respect thereof; *provided* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided further* that all property and assets (including, without limitation, the Collateral) securing such Debt secures the Notes and the Guarantees on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions of any intercreditor agreement or other agreement);
- (c) Liens on the Collateral securing the Issuer’s or any Restricted Subsidiary’s obligations under Hedging Agreements permitted by clause (h) of the definition of Permitted Debt; *provided* that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided further* that all property and assets (including, without limitation, the Collateral) securing such obligations secures the Notes and the Guarantees on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions of any intercreditor agreement or other agreement); and
- (d) Liens on the Collateral that are described in one or more of clauses (f), (g), (h), (i), (j), (k), (l) (to the extent the acquired assets become Collateral and any Liens on such assets at the time they are acquired are not released), (m), (n), (o), (p), (r), (z), (aa) and (cc) of the definition of Permitted Liens;

provided that each of the parties thereto will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement.

“**Permitted Debt**” has the meaning given to such term under “—*Certain Covenants—Limitation on Debt*.”

“**Permitted Holders**” means, collectively, (a) Motherson Sumi Systems Limited, Samvardhana Motherson International Limited and their respective Affiliates and (b) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of the Issuer or any of its Holding Companies, acting in such capacity. Any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) whose acquisition of Beneficial Ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“**Permitted Investments**” means any of the following:

- (a) Investments in cash or Cash Equivalents;
- (b) intercompany Debt to the extent permitted under clause (d) of the definition of Permitted Debt;
- (c) Investments in: (i) the Issuer; (ii) a Restricted Subsidiary; or (iii) another Person if as a result of such Investment such other Person becomes a Restricted Subsidiary or such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;
- (d) Investments made by the Issuer or any Restricted Subsidiary as a result of or retained in connection with an Asset Sale permitted under or made in compliance with “—*Certain Covenants—Limitation on Asset Sales*” to the extent such Investments are non-cash proceeds permitted thereunder;
- (e) expenses or advances to cover payroll, travel, entertainment, moving, other relocation and similar matters that are expected at the time of such advances to be treated as expenses in accordance with IFRS;

- (f) Investments in the Notes (including Additional Notes) and any other Debt of the Issuer or any Restricted Subsidiary;
- (g) Investments in Receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (h) Investments in joint ventures having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (h) that are at the time outstanding (net of the amount of any distribution, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €28.0 million and 2.0% of Consolidated Total Assets; *provided* that if an Investment is made pursuant to this clause (h) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under “—*Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*,” such Investment shall thereafter be deemed to have been made pursuant to clause (c) of this definition and not this clause (h);
- (i) Investments existing at the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;
- (j) Guarantees, keepwells and similar arrangements not prohibited by “—*Certain Covenants—Limitation on Debt*” and Investments in Hedging Agreements permitted under clause (h) of the definition of Permitted Debt;
- (k) loans and advances to officers, directors and employees, in each case (i) in the ordinary course of business or consistent with past practices, (ii) to fund such Person’s purchase of Capital Stock of the Issuer or any direct or indirect Holding Company thereof, if the proceeds of any such loans to purchase Capital Stock under this clause (k) are either received by the Issuer or contributed by such Holding Company of the Issuer and are excluded from the calculation under clause (c)(ii) of paragraph (2) of “—*Certain Covenants—Limitation on Restricted Payments*” except to the extent such loans are actually repaid or (iii) otherwise in an aggregate amount not to exceed €2.5 million outstanding at any one time under this clause (k);
- (l) advances or loans not to exceed €2.5 million at any one time outstanding to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Qualified Capital Stock of the Issuer or any direct or indirect Holding Company;
- (m) (i) stock, obligations or securities received in satisfaction of judgments, foreclosure of liens or settlement of debts and (ii) any Investments received in compromise of obligations of such persons that were Incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade debtor or customer;
- (n) any Investment solely in exchange for the issuance of Capital Stock (other than Redeemable Capital Stock) of the Issuer or Subordinated Shareholder Funding;
- (o) Investments consisting of earnest money deposits required in connection with a purchase agreement, or letter of intent, or other acquisitions to the extent not otherwise prohibited by the Indenture;
- (p) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of paragraph (2) of the covenant described under “—*Certain Covenants—Limitation on Transactions with Affiliates*” (except those described in clauses (ii), (iii), (iv), (vii), (viii)(a), (ix), (x) or (xiii) of that paragraph);
- (q) any Investment in connection with a Qualified Receivables Transaction, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Receivables Transaction or any related Debt; and

- (r) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (r) that are at any one time outstanding (net of the amount of any distributions, dividends, payments or other returns in respect of such Investments, not to exceed the greater of €50.0 million and 3.6% of Consolidated Total Assets; *provided* that if an Investment is made pursuant to this clause (r) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under “—*Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*,” such Investment shall thereafter be deemed to have been made pursuant to clause (c) of this definition and not this clause (r).

“**Permitted Liens**” means the following types of Liens:

- (a) Liens (other than Liens securing the 2021 Notes, the 2025 Notes and Debt under the Revolving Credit Facilities) existing as at the date of the issuance of the Notes;
- (b) Liens on assets, property or Capital Stock (other than Capital Stock constituting Collateral) of a Non-Guarantor Restricted Subsidiary securing Debt of any Non-Guarantor Restricted Subsidiary;
- (c) Liens on any property or assets of a Restricted Subsidiary granted in favor of the Issuer or any Restricted Subsidiary;
- (d) Liens on any of the Issuer’s or any Restricted Subsidiary’s property or assets securing the Notes (including any Additional Notes) or any Guarantee;
- (e) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease and Liens to secure Debt (including Capitalized Lease Obligations) permitted by clause (f) of the definition of Permitted Debt covering only the assets acquired with such Debt;
- (f) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business;
- (g) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of the Issuer’s or any Restricted Subsidiary’s business and with respect to amounts not yet delinquent or being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made or Liens arising solely by virtue of any statutory or common law provisions relating to attorney’s liens or bankers’ liens, rights of set off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution;
- (h) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted;
- (i) Liens Incurred or pledges or deposits made to secure the performance of tenders, bids or trade or government contracts, or to secure leases, statutory or regulatory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature Incurred in the ordinary course of business (including letters of credit to secure the obligations described in this clause (i));
- (j) zoning restrictions, easements, licenses, reservations, title defects, rights of others for rights of way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects that do not in the aggregate materially interfere with in any material respect the ordinary conduct of the business of the Issuer and its Restricted Subsidiaries on the properties subject thereto, taken as a whole;
- (k) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

- (l) Liens on property of, or on shares of Capital Stock or Debt of, any Person existing at the time such Person is acquired by, merged with or into or consolidated with, the Issuer or any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Issuer or any Restricted Subsidiary other than the property or assets acquired or those of the Person that becomes a Restricted Subsidiary or is merged into or consolidated with the Issuer or Restricted Subsidiary;
- (m) Liens securing the Issuer's or any Restricted Subsidiary's obligations under Hedging Agreements permitted under clause (h) of the definition of Permitted Debt or on any collateral for the Debt to which such Hedging Agreements relate;
- (n) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance;
- (o) Liens Incurred in connection with any cash management program established in the ordinary course of business for the Issuer's benefit or that of any Restricted Subsidiary in favor of a bank or trust company, including Liens securing or arising by reason of any cash pooling, netting or set-off arrangement, or daylight borrowing facilities in connection with customary cash management or cash pooling activities;
- (p) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Issuer or any Restricted Subsidiary, including rights of offset and set off;
- (q) Liens securing Debt Incurred to refinance Debt that has been secured by a Lien permitted by the Indenture (excluding Liens to secure Debt used to refinance Debt initially secured pursuant to clause (s) of this definition); *provided* that: (i) any such Lien shall not extend to or cover any assets not securing the Debt so refinanced (*plus* improvements and accessions to such property or proceeds or distributions thereof); and (ii) the Debt so refinanced shall not be increased to an amount greater than the sum of (x) the outstanding principal amount, or if greater, committed amount, of the Debt refinanced with such refinanced Debt and (y) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing;
- (r) purchase money Liens to finance acquisitions, improvements or construction of property or assets of the Issuer or any Restricted Subsidiary acquired in the ordinary course of business; *provided* that: (i) the related Debt shall not exceed the cost of such property or assets and shall not be secured by any property or assets of the Issuer or any Restricted Subsidiary other than the property and assets so acquired; and (ii) the Lien securing such Debt shall be created within 90 days of any such acquisition;
- (s) Liens Incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary with respect to obligations that do not exceed the greater of €20.0 million and 1.4% of Consolidated Total Assets at any one time outstanding;
- (t) filing of Uniform Commercial Code financing statements under U.S. state law (or similar filings under applicable jurisdiction) in connection with operating leases in the ordinary course of business;
- (u) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Debt;
- (v) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (w) any condemnation or eminent domain actions or compulsory purchase orders regarding real property;
- (x) Liens (including put and call arrangements) on Capital Stock or other securities of any Unrestricted Subsidiary that secure Debt of such Unrestricted Subsidiary;
- (y) Liens on goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Issuer or any Restricted Subsidiary's business or operations as Liens only for Debt to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

- (z) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary;
- (aa) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;
- (bb) Liens created on any asset of the Issuer or a Restricted Subsidiary established to hold assets of any stock option plan or any other management or employee benefit or incentive plan or unit trust of the Issuer or a Restricted Subsidiary securing any loan to finance the acquisition of such assets;
- (cc) Leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights) in each case entered into in the ordinary course of business;
- (dd) Liens over treasury stock of the Issuer or a Restricted Subsidiary purchased or otherwise acquired for value by the Issuer or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;
- (ee) Liens on Receivables and related assets of the type described in the definition of “Qualified Receivables Transaction” incurred in connection with a Qualified Receivables Transaction;
- (ff) Liens on any proceeds loan made by the Issuer or any Restricted Subsidiary in connection with any future incurrence of Debt permitted under the Indenture and securing that Debt;
- (gg) Liens in favor of customs and revenue authorities arising as a matter of law to secure payments of customs duties in connection with the importation of goods;
- (hh) Liens to secure performance bonds in the ordinary course of business;
- (ii) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (hh) (but excluding clause (s)); *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets;
- (jj) Liens imposed by law or regulation and Liens arising under applicable law or regulation; and
- (kk) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Debt (or the underwriters or arrangers thereof) or on cash set aside at the time of the incurrence of any Debt or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Debt and are held in an escrow account or similar arrangement to be applied for such purpose.

“**Permitted Payments to Holding Company**” means, without duplication as to amounts, any payment of dividends, other distributions or other amounts or the making of loans or advances by the Issuer or any Restricted Subsidiary thereof to any Holding Company of the Issuer (which term for purposes of this definition shall include any Subsidiaries of any such Holding Company of the Issuer) for the purposes set forth below:

- (a) to pay accounting, legal, administrative and other general corporate and overhead expenses, any taxes and other fees and expenses required to maintain such Holding Company’s corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Holding Company to pay fees and expenses Incurred in the ordinary course of business to auditors and legal advisors and to pay reasonable directors’ fees and directors’ and officers’ liability insurance premiums and to reimburse reasonable out of pocket expenses of the Board of Directors of such Holding Company and to pay fees and expenses, as Incurred, of an offering of such Holding Company’s securities or Debt, or of an acquisition, in each case, where the proceeds of such offering or such acquisition, as the case may be, were intended to be contributed to or combined with the Issuer or any of its Restricted Subsidiaries;
- (b) costs (including all professional fees and expenses) Incurred by any Holding Company of the Issuer in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Debt of the Issuer or any Restricted Subsidiary;

- (c) to pay, without duplication, any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received by the Issuer in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; and
- (d) otherwise in an aggregate amount not to exceed €2.5 million in any calendar year.

“Permitted Refinancing Debt” means any renewals, extensions, substitutions, defeasances, discharges, refinancings or replacements (each, for purposes of this definition and clause (m) of the definition of Permitted Debt, a **“refinancing”**) of any Debt of the Issuer or a Restricted Subsidiary or pursuant to this definition, including any successive refinancings, as long as:

- (a) such Debt is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of: (i) the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value *plus* all accrued interest) then outstanding of the Debt being refinanced; and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;
- (b) if the Debt being refinanced is Subordinated Debt, the Average Life of such Permitted Refinancing Debt is greater than or equal to the lesser of (i) the Average Life of the Debt being refinanced or (ii) the Average Life of the Notes; and
- (c) if the Debt being renewed, extended, substituted, defeased, discharged, refinanced or replaced is subordinated in right of payment to the Notes or the Guarantees (as applicable), such Permitted Refinancing Debt is subordinated in right of payment to the Notes or the Guarantees (as applicable) on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Debt being renewed, extended, substituted, defeased, discharged, refinanced or replaced;

provided that Permitted Refinancing Debt will not include Debt of a Subsidiary that is not a Guarantor that refinances Debt of the Issuer or a Guarantor.

“Person” means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Preferred Stock” means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person that is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person, whether now outstanding or issued after the Issue Date and including, without limitation, all classes and series of preferred or preference stock of such Person.

“pro forma” means, with respect to any calculation made or required to be made pursuant to the terms of the Notes, a calculation made in good faith by the Issuer’s chief financial officer.

“Property” means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock and other securities of, any other Person. For purposes of any calculation required pursuant to the Indenture, the value of any Property shall be its Fair Market Value.

“Public Debt” means any Debt consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the Commission for public resale.

“Purchase Money Note” means a promissory note of a Receivables Entity evidencing the deferred purchase price of Receivables (and related assets) and/or a line of credit, which may be irrevocable, from the Issuer or any Restricted Subsidiary in connection with a Qualified Receivables Transaction with a Receivables Entity, which deferred purchase price or line is repayable from cash available to the Receivables Entity, other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest, principal and other amounts owing to such investors and amounts owing to such investors and amounts paid in connection with the purchase of newly generated Receivables.

“**Qualified Capital Stock**” of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

“**Qualified Receivables Transaction**” means any transaction or series of transactions that may be entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Entity or (b) any other Person, or may grant a security interest in, any Receivables (whether now existing or arising in the future) of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such Receivables, the bank accounts into which the proceeds of such Receivables are collected and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations or invoice discounting facilities involving Receivables.

“**Qualifying IPO**” means an Initial Public Offering if no Default or Event of Default is outstanding at the time of such Initial Public Offering (or would result from such Initial Public Offering).

“**Receivable**” means a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods and services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an “account”, “chattel paper”, “payment intangible”, or “instrument” under the Uniform Commercial Code as in effect in the State of New York and any “supporting obligations” as so defined.

“**Receivables Entity**” means a Wholly Owned Restricted Subsidiary (or another Person formed for the purpose of engaging in a Qualified Receivables Transaction in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers Receivables and related assets) in which the Issuer or any Restricted Subsidiary makes an Investment and to which the Issuer or any Restricted Subsidiary transfers Receivables and related assets, which engages in no activities other than in connection with the financing of Receivables and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Entity and:

- (a) no portion of the Debt or any other obligations (contingent or otherwise) of which:
 - (i) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Debt) pursuant to Standard Securitization Undertakings);
 - (ii) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings; or
 - (iii) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (b) with which neither the Issuer nor any Restricted Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Transaction) other than on terms no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, other than fees payable in the ordinary course of business in connection with servicing Receivables; and
- (c) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity’s financial condition or cause such entity to achieve certain levels or operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a certified copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer’s Certificate certifying that such designation complied with the foregoing conditions.

“**Redeemable Capital Stock**” means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the

Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control or asset sale in circumstances in which the Holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity; *provided* that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes will not constitute Redeemable Capital Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the provisions contained in “—*Certain Covenants—Limitation on Asset Sales*” and “—*Certain Covenants—Change of Control*” and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer’s repurchase of such Notes as are required to be repurchased pursuant to “—*Certain Covenants—Limitation on Asset Sales*” and “—*Certain Covenants—Change of Control*.”

“**Restricted Investment**” means an Investment other than a Permitted Investment.

“**Restricted Jurisdiction Non-Guarantors**” means the restricted subsidiaries of the Issuer that will not be required to or are subject to severe limitations on their ability to provide guarantees of the Notes due to the restriction of their respective jurisdictions of incorporation (including, Brazil, China, India and South Korea).

“**Restricted Subsidiary**” means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

“**Revolving Credit Facilities**” means each of (i) the Existing Revolving Credit Facilities and/or (ii) the Secondary Revolving Credit Facility, as applicable.

“**Revolving Credit Facilities Agreements**” means each of (i) the Existing Revolving Credit Facilities Agreement and/or (ii) the Secondary Revolving Credit Facility Agreement, as applicable.

“**S&P**” means Standard & Poor’s Ratings Group or any successor to its ratings business.

“**Sale and Leaseback Transaction**” means any arrangement providing for the leasing by the Issuer or any of its Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third Person in contemplation of such leasing.

“**Secondary Revolving Credit Facility**” means the revolving credit facility governed by the Secondary Revolving Credit Facility Agreement.

“**Secondary Revolving Credit Facility Agreement**” means that certain €50.0 million revolving credit facility agreement dated June 17, 2014 between, among others, the borrowers and guarantors named therein, the Security Agent, the agent and the lender named therein.

“**Securities Act**” means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

“**Security Documents**” means the security documents listed in the Indenture and any other document that provides for a Lien over any Collateral for the benefit of the holders of the Notes, in each case, as amended, supplemented, restated or substituted from time to time.

“**Senior Debt**” means any Debt of the Issuer or any Restricted Subsidiary that is not Subordinated Debt.

“**Senior Secured Debt**” means, as of any date of determination, (a) the Notes and (b) any other Debt of the Issuer or a Restricted Subsidiary for borrowed money that is Senior Debt either (i) secured by a security interest in any portion of the Collateral or other assets of the Issuer or the Restricted Subsidiaries and/or (ii) Incurred by a Non-Guarantor Restricted Subsidiary, other than Debt Incurred pursuant to clauses (d), (f), (g), (h), (i), (j), (n), (o), (p) and (r) of the definition of Permitted Debt.

“**Significant Subsidiary**” means, at the date of determination, any Restricted Subsidiary that together with its Subsidiaries which are Restricted Subsidiaries (a) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Issuer or (b) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Issuer.

“**Standard Securitization Undertakings**” means representations, warranties, covenants and indemnities entered into by the Issuer or any Restricted Subsidiary which are reasonably customary in securitization of Receivables transactions.

“**Stated Maturity**” means, when used with respect to any Note or any installment of interest thereon, the date specified in such Note as the fixed date on which the principal of such Note or such installment of interest, respectively, is due and payable, and, when used with respect to any other debt, means the date specified in the instrument governing such debt as the fixed date on which the principal of such debt, or any installment of interest thereon, is due and payable.

“**sterling**” means the lawful currency of the United Kingdom of Great Britain and Northern Ireland.

“**Subordinated Debt**” means Debt of the Issuer or any of the Guarantors that is subordinated in right of payment to the Notes or the Guarantees of such Guarantors, as the case may be.

“**Subordinated Shareholder Funding**” means, collectively, any funds provided to the Issuer by (or any other debt obligations of the Issuer for borrowed money owed to) any Holding Company of the Issuer, any Affiliate of any such Holding Company, any Permitted Holder or any other holder of Capital Stock of any such Holding Company or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided* that such Subordinated Shareholder Funding:

- (a) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Qualified Capital Stock or for any other security or instrument meeting the requirements of the definition);
- (b) does not (including upon the happening of any event) require the payment of cash interest prior to the first anniversary of the maturity of the Notes;
- (c) does not (including upon the happening of any event) provide for the acceleration of its maturity or confer on its shareholders any right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, in each case, prior to the first anniversary of the maturity of the Notes;
- (d) is not secured by a Lien on any assets of the Issuer or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Issuer;
- (e) is subordinated in right of payment to the prior payment in full of the Notes in the event of any Default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer and any other restrictions on payment and enforcement, in each case, on terms not materially less favorable to the Holders than the terms applicable to “Shareholder Liabilities” set forth in the Intercreditor Agreement;
- (f) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents or any Credit Facility;
- (g) does not (including upon the happening of an event) constitute Voting Stock; and
- (h) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder thereof; in whole or in part, prior to the date on which the Notes mature, other than into or for Qualified Capital Stock of the Issuer.

“**Subsidiary**” means, with respect to any Person:

- (a) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person; and

- (b) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries of such Person or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions).

“**Successor Parent**” with respect to any Person, means any other Person more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, “beneficially owned” (as defined below) by one or more Persons that “beneficially owned” (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, “**beneficially owned**” has the meaning correlative to the term “beneficial owner,” as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

“**Tax**” means any tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other additions thereto, and, for the avoidance of doubt, including any withholding or deduction for or on account of Tax).

“**Unrestricted Subsidiary**” means:

- (a) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer’s Board of Directors pursuant to the “*Designation of Unrestricted and Restricted Subsidiaries*” covenant); and
- (b) any Subsidiary of an Unrestricted Subsidiary.

“**U.S. dollars**” means the lawful currency of the United States of America.

“**U.S. Treasury Rate**” means, as of any redemption date, the yield to maturity as of the earlier of (a) such redemption date or (b) the date on which such Notes are defeased or satisfied and discharged, of the most recently issued United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to such date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to _____, 2017; *provided, however*, that if the period from the redemption date to _____, 2017, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. Any such Treasury Rate shall be obtained by the Issuer.

“**Voting Stock**” means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the Board of Directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

“**Wholly Owned Restricted Subsidiary**” means any Restricted Subsidiary, all of the outstanding Capital Stock (other than directors’ qualifying shares or shares of Restricted Subsidiaries required to be owned by third parties pursuant to applicable law) of which are owned by the Issuer and/or by one or more other Wholly Owned Restricted Subsidiaries of the Issuer.

CLEARING AND SETTLEMENT ARRANGEMENTS

General

Notes sold outside the United States in reliance on Regulation S under the U.S. Securities Act will be represented by one or more global notes in registered form without interest coupons attached (collectively, the “**Global Notes**”). The Global Notes will be deposited with, or on behalf of, a common depositary (the “**Common Depositary**”) and registered in the name of the nominee of the Common Depositary.

Except as set forth below, the Notes will be issued in registered, global form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Ownership of interests in the Global Notes (the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear Bank SA/NV, as operator of the Euroclear system (“**Euroclear**”), and/or Clearstream Banking, *société anonyme* (“**Clearstream**”), or persons that hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of certificated Notes.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their respective participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, the Common Depositary for Euroclear and/or Clearstream (or its nominees), as applicable, will be considered the sole holder of Global Notes for all purposes under the Indenture. In addition, participants in Euroclear and/or Clearstream must rely on the procedures of Euroclear and/or Clearstream, as the case may be, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Indenture.

Neither the Issuer nor the Trustee nor any of their respective agents and neither the Registrar nor the Transfer Agent nor the Paying Agent will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of the Global Notes

In the event any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Registrar for a cancellation or, in the case of a partial redemption, the Common Depositary will request the Registrar or the Trustee to mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants’ accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided, however*, that no Book-Entry Interest of less than €100,000 in principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional interest, if any) to the Paying Agent for onward payment to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “*Description of Notes—Additional Amounts.*” If any such deduction or withholding is required to be made, then, to the extent described under “*Description of Notes—Additional Amounts,*” the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes after such deduction or withholding will equal the net amounts that such holder would have otherwise received in respect of such Global Note absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holders of the Global Notes (i.e., the Common Depository for Euroclear or Clearstream (or its nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer nor the Trustee nor the Registrar, Paying Agent or Transfer Agent nor any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant. Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Currency of payment for the Global Notes

Except as may otherwise be agreed between Euroclear and/or Clearstream and any holder, the principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests in such Notes through Euroclear and/or Clearstream in U.S. dollars.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither the Issuer nor the Trustee nor the Registrar, Paying Agent or Transfer Agent nor the Joint Lead Managers nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

Action by owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the “**Definitive Registered Notes**”), and to distribute such Definitive Registered Notes to its participants.

Transfers

Transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

The Global Notes will bear a legend to the effect set forth in “*Notice to Investors.*” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers as discussed in “*Notice to Investors.*”

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

The Notes represented by the Global Notes are expected to be listed on the Irish Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures, which rules and operating procedures may change from time to time.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent, the Registrar, the Transfer Agent or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes if:

- Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes, and the Issuer fails to appoint a successor;
- Euroclear or Clearstream so requests following an event of default under the Indenture; or
- the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture.

Euroclear has advised the Issuer that upon request by an owner of a Book-Entry Interest, its current procedure is to request that the Issuer issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Issuer will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in “*Notice to Investors*,” unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the Registrar and the Transfer Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred, and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; *provided* that no Definitive Registered Note in a denomination less than €100,000 and in integral multiples of €1,000, in excess thereof, will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes. Holders of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the Issuer will

issue and the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee or the Paying Agent appointed pursuant to the Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for the expenses of replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only in accordance with the Indenture and, if required, only after the transferor first delivers to the Transfer Agent a written certification (in the form provided in the Indenture) to the effect that such transfer will comply with the transfer restrictions applicable to such Notes. See "*Notice to Investors.*"

So long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, the Issuer will publish a notice of any issuance of Definitive Registered Notes in a newspaper having general circulation in Ireland (which is expected to be the *Irish Times*). Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Paying Agent in London so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require.

Global clearance and settlement under the Book-Entry System

Initial settlement

Initial settlement for the Notes will be made in U.S. dollars. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional U.S. Dollar bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving Notes through Euroclear or Clearstream on days when those systems are open for business.

Clearing Information

The Issuer expects that the Notes will be accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common codes numbers for the Notes are set out under "*Listing and General Information.*"

Information concerning Euroclear and Clearstream

The following description of the operations and procedures of Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. Neither the Issuer, the Trustee, the Registrar, the Paying Agent, the Transfer Agent nor the Joint Lead Managers take any responsibility for these operations and procedures and the Issuer urges investors to contact the systems or their participants directly to discuss these matters.

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream also interface with domestic securities markets in several countries. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Euroclear and Clearstream have no record of or relationship with persons holding through their account holders. Since Euroclear and Clearstream only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The Issuer understands that, under existing industry practices, if either the Issuer or the Trustee requests any action by owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give or take any action that a holder is entitled to give or take under the Indenture, Euroclear and Clearstream would authorize participants owning the relevant Book-Entry Interest to give or take such action, and such participants would authorize indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited.

TAXATION

Certain European Union tax considerations

Prospective holders of Notes should consult their own tax advisers concerning the consequences, in their particular circumstances, under European Union directives and other measures, and under the laws of any other taxing jurisdiction, of the ownership of or any dealing in the Notes. Any such dealing would need to comply with the selling restrictions and securities laws generally.

Under Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On March 24, 2014, the Council of the EU adopted a Council Directive amending and broadening the scope of the requirements described above (the Amending Directive). Member States are required to apply these new requirements from January 1, 2017. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Amending Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts), where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the EU.

For a transitional period, Austria is generally required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments at a rate of 35%. The Amending Directive referred to above will, when implemented, broaden the types of payments generally subject to withholding in Austria. In Austria, no withholding tax is imposed if the recipient provides the information in accordance with the Savings Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

General: Payments by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes) it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

Certain Dutch Tax considerations

As described above under “*Description of Notes—IPO Debt Pushdown*,” in connection with an IPO Debt Pushdown, an IPO Debt Pushdown Entity may assume all of the Issuer’s obligations under the Notes. This subsection on Dutch tax law is solely applicable to the extent that the Issuer is a private limited liability company incorporated under the laws of the Netherlands (*besloten vennootschap met beperkte aansprakelijkheid*). The domicile and law applicable to an IPO Debt Pushdown Entity regarding taxation, may consequently be different than described in this Offering Memorandum. Prospective purchasers are urged to consult their own tax advisors regarding the potential consequences of the assumption of all of the Issuer’s obligations under the Notes by an IPO Debt Pushdown Entity in case of an IPO Debt Pushdown.

The following summary of Dutch taxation matters is based on the laws and practice of the Netherlands in force as of the date of this Offering Memorandum and is subject to any changes in law in the Netherlands and the interpretation and application thereof, which changes could be made with retroactive effect and could affect the continued validity of this summary. This summary does not purport to be a comprehensive description of all the Dutch tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the Dutch tax consequences applicable to all categories of investors, some of which may be subject to special rules such as trusts or similar arrangements. Holders of the Notes are recommended to consult their own

professional advisor in relation to their own individual tax position. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the Netherlands.

For the purpose of this summary, the term “entity” means a corporation as well as any other person that is taxable as a corporation for Dutch corporate income tax purposes. Where this summary refers to a holder of a Note, an individual holding a Note or an entity holding a Note, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Note. Where this summary refers to “the Netherlands” or “Dutch” it refers only to the European part of the Kingdom of the Netherlands and its law, respectively, only.

This summary does not apply to any holder of a Note:

- being an individual or entity for whom the Notes or the income or capital gains derived therefrom are attributable to a membership of a management board or a supervisory board, a(n) (deemed) employment relationship or a management role;
- being an individual or entity who holds or is deemed to hold a substantial interest in the Issuer as defined below;
- being an entity that is, in whole or in part, not subject to or is exempt from Dutch corporate income tax, including but not limited to an exempt investment institution (*vrijgestelde beleggingsinstelling*) as defined in the 1969 Corporate Income Tax Act (*Wet op de vennootschapsbelasting 1969*); or
- being a fiscal investment institution (*fiscale beleggingsinstelling*) as defined in the 1969 Corporate Income Tax Act.

Generally speaking, an individual has a substantial interest in the Issuer if (i) such individual, either alone or together with his partner (a term defined by statute), directly or indirectly has, or is deemed to have or (ii) certain relatives of such individual or his partner directly or indirectly have or are deemed to have (a) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of the Issuer or the issued and outstanding capital of any class of shares of the Issuer, or (b) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5% or more of either the annual profit or the liquidation proceeds of the Issuer.

Generally speaking, a non-resident entity has a substantial interest in the Issuer if such entity, directly or indirectly has (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of the Issuer or the issued and outstanding capital of any class of shares of the Issuer, or (ii) the ownership of, or certain rights over, profit participating certificates that relate to 5% or more of either the annual profit or the liquidation proceeds of the Issuer.

An individual or an entity holding a Note has a deemed substantial interest in the Issuer if such individual or entity has disposed of or is deemed to have disposed of all or part of a substantial interest on a non-recognition basis.

Withholding tax

All payments made by the Issuer under the Notes are made free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Taxes on income and capital gains

Resident entities

An entity holding a Note which is, or is deemed to be, resident in the Netherlands for corporate income tax purposes, will generally be subject to Dutch corporate income tax in respect of income or a capital gain derived from a Note at the applicable progressive statutory rates.

Resident individuals

An individual holding a Note who is, or is deemed to be, resident in the Netherlands for Dutch personal income tax purposes will be subject to Dutch personal income tax in respect of income or a capital gain derived from a Note at the applicable progressive statutory rates if:

- the holder derives profits from an enterprise or deemed enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder), to which enterprise the Notes are attributable; or

- the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the 2001 Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed regular, active asset management (*normaal, actief vermogensbeheer*).

If the holder of a Note is an individual whose situation has not been discussed above, such individual holding a Note will be subject to Dutch personal income tax on the basis of a deemed return, regardless of any actual income and/or capital gain derived from a Note. This deemed return has been fixed at 4% (2016 percentage) of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (*peildatum*), insofar it exceeds a certain threshold (*heffingvrije vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by such individual (including, as the case may be, the Notes) less the fair market value of certain qualifying liabilities. The deemed return of 4% will be taxed at the applicable statutory rate.

Non-residents

A holder of a Note which is not, and is not deemed to be, a resident in the Netherlands for tax purposes will not be subject to Dutch personal income tax or corporate income tax on income or a capital gain derived from a Note unless:

- the holder of a Note derives profits from an enterprise or deemed enterprise, whether as entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a (deemed) permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Notes are attributable or deemed attributable;
- the holder of a Note is not an individual and is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise which is effectively managed in the Netherlands and to which enterprise the Notes or payments in respect of the Notes are attributable (other than by way of the holding of securities);
- the holder of a Note is an individual and is entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Notes or payments in respect of the Notes are attributable (other than by way of securities); or
- the holder is an individual and the income or capital gain derived from the Notes qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Income Tax Act (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed regular, active asset management (*normaal, actief vermogensbeheer*).

Gift and inheritance taxes

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder of a Note, unless:

- the holder of a Note is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions;
- the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions;
- such holder dies while being a resident or deemed resident of the Netherlands within 180 days after the date of a gift of the Notes; or
- the gift is made under a condition precedent and such holder is or is deemed to be a resident of the Netherlands at the time the condition is fulfilled.

For purposes of Dutch gift and inheritance tax, an individual who is of Dutch nationality will be deemed to be a resident of the Netherlands if he has been a resident of the Netherlands at any time during the ten years preceding the date of the gift or his death.

For purposes of Dutch gift tax, an individual will, irrespective of his nationality, be deemed to be resident of the Netherlands if he has been a resident of the Netherlands at any time during the 12 months preceding the date of the gift.

Value added tax

There is no Dutch value added tax payable by a holder of a Note in respect of payments in consideration for the issue of the Notes, in respect of the payment of interest or the principal under the Notes, or the transfer of the Notes (other than value added taxes on fees payable for services in connection with the transfer of the Notes which are not exempt from Dutch value added tax).

Other taxes and duties

There is no Dutch registration tax, stamp duty or any other similar tax or duty (other than court fees) payable in the Netherlands by a holder of a Note in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the Notes or the performance of the Issuer's obligations under the Notes.

Residence

A holder of a Note is not, and will not be deemed to be, resident in the Netherlands for tax purposes by reason of only acquiring, holding or disposing of a Note, or solely for the execution, performance, delivery and/or enforcement of a Note.

Certain United States federal income tax considerations

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on certain pass thru payments made after December 31, 2016 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign pass-through payments are filed generally would be "grandfathered" unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there generally will be no additional amounts payable to compensate for the withheld amount.

SUBSCRIPTION AND SALE

Each of Australia and New Zealand Banking Group Limited, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, Barclays Bank PLC and Standard Chartered Bank (together, the “**Joint Lead Managers**”) has, pursuant to and subject to the terms and conditions set forth in a purchase agreement (the “**Purchase Agreement**”) to be dated as of the date of this Offering Memorandum, severally agreed to subscribe or procure subscribers for the respective principal amount of Notes set out opposite its name below, subject to the provisions of the Purchase Agreement.

<u>Name of Joint Lead Managers</u>	<u>Amount (U.S.\$)</u>
Australia and New Zealand Banking Group Limited	50,000,000
DBS Bank Ltd.,	50,000,000
Deutsche Bank AG, Singapore Branch	50,000,000
The Hongkong and Shanghai Banking Corporation Limited	50,000,000
Barclays Bank PLC	50,000,000
Standard Chartered Bank	50,000,000
Total	300,000,000

Notes will be so subscribed at the issue price of 100.0% of the principal amount of Notes. The Issuer will be paying a combined management and underwriting commission to the Joint Lead Managers and will reimburse the Joint Lead Managers in respect of certain of their expenses. The Issuer has also agreed to indemnify the Joint Lead Managers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Joint Lead Managers may be required to make in respect thereof. The Issuer and certain of our subsidiaries have agreed, subject to certain limited exceptions, that during the period from the date hereof and continuing to the date that is 60 days after the Closing Date, without the prior written consent provided for in the Purchase Agreement, not to offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Issuer or any of our subsidiaries (other than the Notes and the Guarantees). The Purchase Agreement may be terminated in certain circumstances prior to payment of the issue price to the Issuer.

United States

Each of the Joint Lead Managers represented and warranted (as to itself only) that (i) it has and will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities or has in its possession or distributes any Pricing Disclosure Package or any such other material, in all cases at its own expenses; and (ii) the Securities have not been and will not be offered or sold within the United States except in accordance with Regulation S under the Act or pursuant to an exemption from the registration requirements of the Act; and, accordingly, neither it nor any persons acting on its behalf have engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Securities, and any such persons have complied and will comply with the offering restrictions requirement of Regulation S.

United Kingdom

Each of the Joint Lead Managers represented and warranted (as to itself only) that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to us or the Guarantors; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by us or the Joint Lead Managers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such

country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See “*Notice to Investors.*”

We and the Guarantors have also agreed that we will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the safe harbor of Regulation S under the U.S. Securities Act to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. We have applied, through our listing agent, to list the Notes on the Irish Stock Exchange, however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Joint Lead Managers has advised us that they intend to make a market in the Notes as permitted by applicable law. The Joint Lead Managers is not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Joint Lead Managers without notice. In addition, any such market-making activity will be subject to the limits imposed by the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See “*Risk Factors—Risks Relating to Our Indebtedness—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.*”

In connection with the offering, Australia and New Zealand Banking Group Limited (the “**Stabilizing Manager**”), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes. The Stabilizing Manager agrees that it shall act in accordance with the Commission Regulation No 2273/2003 of December 22, 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programs and stabilization of financial instruments.

The Joint Lead Managers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the Joint Lead Managers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed to cover short positions. Penalty bids permit the Joint Lead Managers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

The Joint Lead Managers or its respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory, mergers and acquisitions and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. In addition, the Issuer has agreed to pay the Joint Lead Managers certain customary fees for its service in connection with this Offering and to reimburse them for certain costs and expenses incurred.

Certain proceeds from the Offering will be used to repay existing third-party indebtedness, including loans made by the Joint Lead Managers or its affiliates. See “*Description of Certain Financing Arrangements.*” In connection for its services in such capacities, Joint Lead Managers or affiliates will receive customary fees and commissions.

In the ordinary course of their business activities, the Joint Lead Managers and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of the Issuer or its affiliates. If the Joint Lead Managers or its affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Joint Lead Managers and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer’s securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Joint Lead Managers has represented and agreed, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby are being offered and sold only outside the United States. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, we are offering and selling the Notes outside the United States.

We use the terms “offshore transaction” and “United States” with the meanings given to them in Regulation S.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Joint Lead Managers as follows:

- (1) You understand and acknowledge that the Notes and the Note Guarantees have not been registered under the U.S. Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.
- (2) You are outside the United States (within the meaning of Regulation S), and you are purchasing Notes in an offshore transaction in accordance with Regulation S.
- (3) You acknowledge that none of us, the Guarantors, or the Joint Lead Managers, nor any person representing any of them, has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Joint Lead Managers nor any person representing the Joint Lead Managers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Joint Lead Managers.
- (4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Regulation S or any other exemption from registration available under the U.S. Securities Act.

Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

- (1) You acknowledge that the Registrar will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to us and the Registrar that the restrictions set forth therein have been complied with.
- (2) You acknowledge that we, the Joint Lead Managers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes is no longer accurate, you shall promptly notify us and the Joint Lead Managers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.
- (3) You understand that no action has been taken in any jurisdiction (including the United States) by us or the Joint Lead Managers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under “*Subscription and Sale.*”

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), the Notes are not offered or sold to the public in that Relevant Member State other than to any legal entity which is a qualified investor as defined in the Prospectus Directive and each purchaser of the Notes shall only offer or sell any of the Notes to qualified investors.

For purposes of the above, the expressions (i) an “offer of Notes to the public,” in relation to any Notes in the Netherlands, and (ii) “Prospectus Directive” have the meanings given to them in the paragraph “*Subscription and Sale—European Economic Area*” above.

LEGAL MATTERS

The validity of the Notes, the Note Guarantees and certain other legal matters are being passed upon for the Joint Lead Managers by Allen & Overy with respect to matters of U.S. federal law and New York state law and English law. Certain legal matters will be passed upon for us by Houthoff Buruma London B.V., Dutch counsel to the Company and the Guarantors with respect to matters of Dutch law.

INDEPENDENT ACCOUNTANTS

The Consolidated Financial Statements of the Issuer as of and for each of the years ended March 31, 2015 and 2016 and the Combined Financial Statements for the years ended March 31, 2012, 2013 and 2014 included elsewhere in this Offering Memorandum have been audited by PricewaterhouseCoopers Accounts N.V., independent auditors, with business address at Fascinatio Boulevard 350, 3065 WB Rotterdam, the Netherlands, as stated in their reports appearing in this Offering Memorandum. The PricewaterhouseCoopers Accountants N.V. audit partner signing the accounts is registered with the Dutch Organization of Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

AVAILABLE INFORMATION

Each purchaser of Notes will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or each Note Guarantee offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either us or the Joint Lead Managers.

We are not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture and so long as the Notes are outstanding, we will furnish periodic information to the holders of the Notes and the related Guarantees. See “*Description of Notes—Certain Covenants—Reports.*”

So long as the Notes are admitted to trading on the Global Exchange Market of the Irish Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the Listing Agent.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is incorporated under the laws of the Netherlands and the Guarantors are organized under the laws of Australia, Cyprus, Delaware, England and Wales, France, Germany, Hungary, Jersey, Mexico, Michigan, Spain and the Netherlands.

Most of our directors, officers and other executives are neither residents nor citizens of the United States. Furthermore, most of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, us or the Guarantors or to enforce against them, us or the Guarantors judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, we and the Guarantors have appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within other jurisdictions upon those persons, us or the Guarantors provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

There is doubt that a lawsuit based upon U.S. federal or state securities laws could be brought in an original action in the Netherlands and that a foreign judgment based upon U.S. securities laws would be enforced in the Netherlands. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based on United States federal or state securities laws, would not be automatically enforceable in the Netherlands.

The Netherlands

As described above under “*Description of Notes—IPO Pushdown*,” in connection with an IPO Debt Pushdown, an IPO Debt Pushdown Entity may assume all of the Issuer’s obligations under the Notes. This subsection on the Netherlands is solely applicable to the extent that the Issuer or a Guarantor is a private limited liability company incorporated under the law of the Netherlands (*besloten vennootschap met beperkte aansprakelijkheid*). The domicile and the law applicable to an IPO Debt Pushdown Entity regarding service of process and enforcement of civil liabilities, may consequently be different than described in this Offering Memorandum. Prospective purchasers are urged to consult their own legal advisors regarding the potential consequences of the assumption of all of the Issuer’s obligations under the Notes by an IPO Debt Pushdown Entity in case of an IPO Debt Pushdown.

Please note that most of the assets of the Issuer and the Dutch Guarantor are located outside the United States of America and their directors are non-residents of the United States of America. Furthermore, note that an original action or an action for the enforcement of judgments of U.S. courts predicated solely upon U.S. federal securities law may not be enforceable in the Netherlands.

In the absence of a treaty between the United States of America and the Netherlands providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters, a final and conclusive judgment for the repayment of money against the Issuer (a “**U.S. Judgment**”) rendered by any U.S. court in a competent jurisdiction (a “**U.S. Court**”) will not directly be recognized and enforced by the courts of the Netherlands. In order to obtain a judgment that is enforceable against the Issuer or a Guarantor in the Netherlands, a holder of a U.S. Judgment must file its claim against the Issuer or such Guarantor with a competent court of the Netherlands.

If a person has obtained a U.S. judgment from a U.S. court which is enforceable in the U.S. and files his claim with the court of competent jurisdiction in the Netherlands, such court will generally give binding effect to the U.S. judgment insofar as it finds that (i) the jurisdiction of the U.S. court has been based on grounds which are internationally acceptable, (ii) proper legal procedures have been observed, (iii) the U.S. judgment does not contravene Dutch public policy and (iv) the U.S. judgment is not irreconcilable with a judgment of a court of the Netherlands given between the same parties, or with an earlier judgment of a non-Dutch court given between the same parties in a dispute involving the same cause of action and subject matter, provided that such earlier judgment fulfills the conditions necessary for it to be given binding effect in the Netherlands.

Moreover, a Dutch court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgments of U.S. courts in the Netherlands are solely governed by the provisions of the Dutch Civil Procedure Code (*Wetboek van Burgerlijke Rechtsvordering*).

Australia

Australia has a procedure for recognizing and enforcing foreign judgments by registration of the foreign judgment in an Australian court in accordance with the procedure set out in the Australian *Foreign Judgments Act 1991* (Cth) or by recognition in accordance with common law principles. The United States is not one of the countries to which the *Foreign Judgments Act 1991* (Cth) applies. As a result, the recognition and enforcement in Australian courts of judgments in U.S. courts requires the application of common law principles, as the procedure set out in the *Foreign Judgments Act 1991* (Cth) will not apply. Further, any action taken by or on behalf of the holders of the Notes would need to be brought in the Australian courts on the basis of the merits of the case as well as the judgment from the relevant U.S. court.

Accordingly, there are risks as to the enforceability, in original actions in Australian courts, of liabilities predicated solely on the U.S. federal or state securities law and as to the enforceability, in Australian courts, of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities law. Also, judgments of U.S. courts (whether or not such judgments relate to U.S. federal or state securities laws) may not be enforceable in Australia in certain other circumstances, including, among others, to the extent that such judgments (as a matter of applicable Australian law) contravene public policy, breach the rules of natural justice or general principles of fairness or are obtained by fraud, are not for a fixed or readily ascertainable sum, are subject to appeal, dismissal, stay of execution or are otherwise not final and conclusive, or involve multiple or punitive damages or where the proceedings in such courts were of a revenue or penal nature.

Cyprus

SMR Automotive Technology Holding Cyprus Limited (the “**Cypriot Guarantor**”) is a limited liability company organized under the laws of the Republic of Cyprus. The Cypriot Guarantors’ directors, officers and other executives are neither residents nor citizens of the United States or the United Kingdom as of the date of this offering memorandum. Furthermore, all of the Cypriot Guarantors’ assets are located outside the United States and the United Kingdom. As a result, the possibility of the holder of the Notes to file a suit abroad or to commence any proceedings against a Cypriot Guarantor or require foreign courts to issue court decisions against a Cypriot Guarantor or fulfill decisions issued by such courts that are based on the provisions of foreign legal regulations may be limited.

EU Member State

The Republic of Cyprus, being a member of the European Union, also applies the regime envisaged under the Council Regulation (EC) 1215/2012 of December 12, 2012 on the jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. For judgment issued by a Court of a member state of the European Union, the Cypriot Courts directly apply the procedure provided by the Council Regulation. The first stage of the procedure, by which a declaration of enforceability is sought, can commence by an application that can be filed without notice to the other side (*ex parte*); however, the declaration of enforceability shall be served on the party against whom enforcement is sought, which shall have a right to appeal it before the applicable District Court. Other than protective measures, no measures of enforcement against the property of the party against whom enforcement is sought may be commenced before an appeal against the declaration of enforceability has been determined.

Non-EU Member States

If recognition of a foreign judgment in the Republic of Cyprus is sought by reason of an International Treaty providing for recognition of foreign court judgments or arbitral awards, the procedure shall be governed by the Foreign Court Judgments (Recognition, Registration and Enforcement) Law of 2000, (121(I)/2000). This procedure commences with a by-summons application (i.e. with notice to the party against whom enforcement is sought) which shall have the right to oppose it on the grounds envisaged in the respective Treaty. An opposition should be supported by an affidavit. Enforcement measures, other than protective measures, may only be sought after the application for recognition has been determined.

A court judgment issued in a country with which the Republic of Cyprus does not presently have a Treaty providing for reciprocal recognition and enforcement of judgments, may be enforced in the

Republic of Cyprus by bringing a claim in the Cyprus courts in the form of a common law action on that foreign judgment. The said judgment will therefore not be enforceable in Cyprus directly by execution or any other process, but will be regarded, for procedural purposes, as creating a debt between the parties to it, the debtor's liability arising on an implied promise to pay the amount of the foreign judgment. Currently, this procedure is not very often used in practice and whether it will lead to a successful recognition and enforcement of a foreign judgment in the Republic of Cyprus cannot be safeguarded as it will depend on the success of a Cypriot action that would be filed.

England and Wales

The following summary with respect to the enforceability of certain U.S. court judgments in England and Wales is based upon advice provided to us by U.S. and English legal advisors. The United States and England currently do not have a treaty between them providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the U.S. based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized and/or enforced in England and Wales. In order to enforce any such U.S. judgment in England and Wales, proceedings must first be initiated before a court of competent jurisdiction in England and Wales. In such an action, an English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles and rules of English private international law;
- the U.S. judgment not having been given in breach of a jurisdiction or arbitration clause;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money;
- the U.S. judgment not contravening English public policy or the Human Rights Act 1998;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine, or otherwise involving the enforcement of a non-English penal or revenue law;
- the U.S. judgment not being contrary to the Protection of Trading Interests Act 1980;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;
- there not having been a prior inconsistent decision of an English court in respect of the same matter involving the same parties; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England and Wales judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognized and/or enforced in England and Wales. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if the original action was commenced in England and Wales, instead of the United States, and predicated solely upon U.S. federal securities laws.

France

We have been advised by our French counsel that the United States and France currently do not have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters.

According to such counsel, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal securities laws, enforceable in the United States would not directly be recognized or enforceable in France. A party in whose favor such

judgment was rendered could initiate enforcement proceedings (*exequatur*) in France before the relevant civil court (Tribunal de Grande Instance). Enforcement in France of such U.S. judgment could be obtained following proceedings brought in the form of an adversarial application if the civil court is satisfied that the following conditions have been met (which conditions, under prevailing French case law, do not include a review by the French court of the merits of the foreign judgment):

- (i) the U.S. judgment is enforceable in the jurisdiction of the court which rendered it;
- (ii) the subject matter of such U.S. judgment is sufficiently or substantially connected with the jurisdiction of the court that rendered it, the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter;
- (iii) the judgment is not contrary to French International public policy rules (both pertaining to the merits and the procedure of the case);
- (iv) the U.S. judgment does not conflict with a French judgment or a foreign judgment which has become effective in France. A clear position has not yet been established in French case law as to whether proceedings pending before French courts at the time of the enforcement of the foreign judgment is sought and having the same or similar subject matter as this judgment may have an impact on enforcement in France of the foreign judgment (the courts may stay the *exequatur* proceedings); and
- (v) the judgment is not tainted with fraud.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the *res judicata* effect as of the date of the decision of the French court and will thus be declared enforceable in France. However, the decision granting *exequatur* is subject to appeal.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980 and Ordinance No. 2000-916 of September 19, 2000 (relating to communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a judicial or administrative U.S. action, if the documents or information requested could undermine French sovereignty, security, essential economic interests or French public order. Pursuant to the regulations above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) and French procedural rules to obtain evidence in France or from French persons. Similarly, French data protection rules (law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as most recently modified by law No. 2014-344 of March 17, 2014) can limit under certain circumstances the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

We have also been advised by our French counsel that if an original action is brought in France, French courts may refuse to apply the designated foreign law (or part of the designated foreign law) if its application is deemed to contravene overriding mandatory rules. In an action brought in France on the basis of U.S. federal or state securities laws, French courts may not have the requisite power to grant all the remedies sought.

Our French counsel has also advised us that (i) according to article 14 of the French Civil Code, a French national (either a company or an individual) may decide to bring an action before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with a French person and (ii) according to article 15 of the French Civil Code a French national can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country. These provisions also apply in the context of non-contractual obligations. For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to recent case law, the French courts' jurisdiction over French nationals is no longer mandatory to the extent that an action has been commenced before a court in a jurisdiction that has sufficient contacts with the dispute and the choice of jurisdiction is not fraudulent. More specifically, according to this recent case law, a French defendant can no longer challenge the jurisdiction of a foreign court on the basis of article 15 of the French Civil Code in circumstances where the foreign court has otherwise

jurisdiction. In addition, French and foreign claimants may waive his or her rights respectively to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including by way of conduct by voluntarily appearing before the foreign court.

The French Supreme Court (*Cour de cassation*) has recently held that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid on the ground that it was discretionary. Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court or prevent a French party from bringing an action before the French courts.

Germany

Certain Guarantors are incorporated under the laws of Germany. Our directors and executive officers live outside the United States. The assets of our directors and executive officers and almost all our assets are located outside the United States. As a result, although we have appointed an agent for service of process under the Indenture, it may be difficult for you to serve process on those persons or us in the United States or to enforce judgments obtained in U.S. courts against them or us based on civil liability provisions of the securities laws of the United States.

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on the state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. courts. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including the following requirements which are set out in Section 328 of the German Code of Civil Procedure:

- the U.S. court having had jurisdiction of the case in accordance with German law principles of jurisdictional competence;
- the document commencing the proceedings was duly served and made known to the defendant in a timely manner that allowed for adequate defense or, in case of noncompliance with such requirement, (i) the defendant does not invoke such noncompliance or (ii) has nevertheless appeared in the proceedings;
- the judgment is not contrary to (i) any judgment which became *res judicata* rendered by a German court, or (ii) any prior judgment which became *res judicata* rendered by a foreign court which is to be recognized in Germany, and the procedure leading to the respective judgment is not in contradiction to any such judgment under (i) or (ii) or a proceeding previously commenced in Germany;
- the judgment is not inconsistent with the procedure of a matter pending before a German court, *provided* that such matter was pending before a German court before the U.S. court entered its judgment;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of Germany (*Grundrechte*);
- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment became *res judicata* in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an *exequatur* decision from a competent German court in accordance with the above principles. Subject to the foregoing, a party who has obtained a judgment from U.S. federal or

state courts may be able to enforce judgments in Germany in civil and commercial matters. However, we cannot assure you that those judgments will be enforceable. Even if a U.S. judgment is recognized in Germany, it does not necessarily mean that it will be enforced in all circumstances. In particular, the obligations need to be of a specific kind and type for which an enforcement procedure exists under German law. Also, if circumstances have arisen after the date on which such foreign judgment became *res judicata*, a defense against execution may arise.

German courts usually deny the recognition and enforcement of punitive damages (which do not serve a compensatory purpose) as they are regarded to be in conflict with fundamental principles of German law. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. Insofar as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No equivalent pre-trial discovery process exists under German law.

Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation or moratorium as well as other similar laws affecting creditor's rights generally. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

If the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Company or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

Hungary

The United States and Hungary have between each other at present no treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Nevertheless, a final and enforceable judgment for payment rendered by a federal or state court in the United States in commercial law matters may be recognized in Hungary subject to the following conditions and limitations.

- (1) In case of a judgment of any U.S. federal or state court of competent jurisdiction, such judgment can be recognized in Hungary only if:
 - (a) the relevant U.S. federal or state court had jurisdiction over the given case according to Hungarian law (for example, if the jurisdiction of the U.S. federal or state court has been duly stipulated by the contracting parties in the relevant document);
 - (b) the foreign judgment is final and binding under the law under which it was passed; and
 - (c) the reciprocity of enforcement of judgments is guaranteed between the U.S. and Hungary (with the exception where, in relation to commercial matters (*vagyonyjogi ügyek*), the jurisdiction was chosen by the parties in accordance with Hungarian laws on the choice of jurisdiction),

unless any of the limitations set out in clause (2) below applies.

- (2) The enforcement in Hungary of a judgment of an U.S. federal or state court of competent jurisdiction may be rejected (where the causes in paragraphs (h) and (g) below are not expressed stipulated by Law Decree No. 13 of 1979 on International Private Law but may be derived from the below mentioned causes and the general principles of recognition of foreign judgments) if:
 - (a) the judgment is related to a matter that falls under the exclusive jurisdiction of the Hungarian courts or other Hungarian public authorities;
 - (b) the recognition of such judgment would be contrary to public order in Hungary;

- (c) the defendant has not participated (either personally or through its representative) in the given proceedings, because the statement of claim or with any other document which instituted the proceedings was not delivered to the defendant's registered address or usual residence in a timely manner enabling it to be in a position to prepare to defend itself;;
- (d) the judgment was passed as a result of a procedure substantially violating the basic principles of Hungarian law of procedures;
- (e) the judgment was passed as a result of proceedings which commenced after the commencement of proceedings before a Hungarian court or authority between the same parties on the same legal and factual basis;
- (f) if, prior to the passing of the judgment, a final and binding decision was passed by any Hungarian court or authority on the merits of the matter between the same parties on the same legal and factual basis;
- (g) if the judgment is irreconcilable with a judgment given in a dispute between the same parties in Hungary; or
- (h) if the judgment is irreconcilable with an earlier judgment given in another state involving the same cause of action and between the same parties, provided that the earlier judgment fulfills the conditions necessary for its recognition in Hungary.

A judgment of any U.S. federal or state court may only be enforced in Hungary if all the above conditions are met in the opinion of the competent Hungarian court. Enforcement and foreclosure based on the relevant judgment of any U.S. federal or state court may be sought against Hungarian defendants after having received an enforcement decision from a competent Hungarian court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce in Hungary judgments obtained from U.S. state or federal courts in commercial law matters. However, we cannot assure you that those judgments will be recognized or enforceable in Hungary.

Jersey

The United States and Jersey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in Jersey. In order to enforce any such U.S. judgment in Jersey, proceedings must first be initiated before a court of competent jurisdiction in Jersey. In such an action, a Jersey court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is stated below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Jersey court in such an action are each conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to Jersey conflicts of laws principles;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being against a specified person for a definite sum of money (although there are circumstances where non-money judgments can also be enforced);
- the U.S. judgment not contravening Jersey public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not being for exemplary, multiple or punitive damages, for example having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained, and not being otherwise in breach of Section 5 of the United Kingdom Protection of Trading Interests Act 1980 (as extended to Jersey by the Protection of Trading Interests Act 1980 (Jersey) Order 1983);
- the U.S. judgment not having been obtained by fraud or in breach of Jersey principles of natural justice;

- there not having been a prior inconsistent decision of a Jersey court in respect of the same matter; and
- the enforcement proceedings in the Jersey court are duly served.

Subject to the foregoing, investors may be able to enforce in Jersey judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in Jersey. In addition, it is questionable whether a Jersey court would accept jurisdiction and impose civil liability if the original action was commenced in Jersey, instead of the United States, and predicated solely upon U.S. federal securities laws.

Mexico

In order to enforce a security interest in Mexico, the creditor must initiate a lawsuit. When the collateral is located within Mexican territory, filing the lawsuit before a Mexican court would be more effective than trying to enforce in Mexico a judgment of a foreign court; nevertheless, judgments of non-Mexican courts are enforceable in Mexico, provided a number of conditions are met, including certain basic principles of Mexican due process rules. Any such foreign judgment would be valid and enforceable provided that, among others, (i) such judgment is obtained in compliance with legal requirements of the jurisdiction of the court rendering such judgment and in compliance with all legal requirements of the relevant document; (ii) such judgment is strictly for the payment of a certain sum of money and has been rendered in an in personam action, as opposed to an in rem action; (iii) process in the action has been served personally to the defendant or a duly appointed agent. Service of process by mail is ineffective under Mexican due process rules; (iv) such judgment does not contravene Mexican law, public policy of Mexico, international treaties or agreements binding upon Mexico; and (v) the courts of such jurisdiction recognize the principles of reciprocity in connection with the enforcement of Mexican judgments in such jurisdiction.

There are no limitations on the election of remedies in Mexico, and creditors can pursue multiple remedies at the same time until the total amount of the indebtedness is fully paid.

Spain

Notwithstanding any provision in any Transaction Documents (as defined in the Existing Revolving Credit Facilities) governed by Spanish law, guarantees and security interests granted may be deemed null and void under Spanish law in the event that all or part of the obligations under the Transaction Documents are null or void. The validity and enforceability of Spanish law governed security may be affected by any amendment, supplement, waiver, repayment, novation or extinction of the obligations under the RFA I and/or RFA II.

The security documents governed by Spanish law may not be enforceable in the event that the assets attached thereto are substituted by other assets or are sold to a bona fide third party, unless a new valid and binding security interest is created and accepted by the relevant parties or the existing security interest is ratified by the relevant parties. Extension of the securities governed by Spanish law to new assets may require further documentation.

CERTAIN INSOLVENCY LAW CONSIDERATIONS AND LIMITATIONS ON THE VALIDITY AND ENFORCEABILITY OF THE GUARANTEES AND SECURITY INTERESTS

The following is a brief description of certain insolvency law considerations in the jurisdictions in which Note Guarantees are initially being provided. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes or the Note Guarantees. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the Note Guarantees. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. See "Risk Factors—Risks Relating to Our Indebtedness—The insolvency laws of the Netherlands, France, Germany, Jersey, Spain, Mexico, Cyprus, Hungary, Australia, England and Wales, Delaware and Michigan and other local jurisdictions may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of Notes from recovering payments due on the Notes."

European Union

The Issuer and several of the Guarantors are organized under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) No. 1346/2000 on insolvency proceedings (the "**EU Insolvency Regulation**"), the court that shall have jurisdiction to open main insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) where the company concerned has its "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The determination of where such company has its "centre of main interests" is a question of fact on which the courts of different Member States may have differing and even conflicting views.

The term "centre of main interests" is not a static, but rather a fact and circumstances-based concept and may therefore change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a company has its "centre of main interests" in the Member State in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "centre of main interests" of a company should correspond to the place where the company conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." In that respect, factors such as the location where board meetings are held and the location where the company conducts the majority of its business including the perception of the company's creditors of the local center of the company's business operations may all be relevant in determining where the company has its "centre of main interests," with the company's "centre of main interests" at the time of the application for the relevant insolvency proceedings being not only decisive for the purposes of determining competent jurisdiction of the courts of a certain Member State, but also for the insolvency laws applicable to these insolvency proceedings because each court would, subject to certain exemptions, apply its local insolvency laws (*lex fori concursus*).

If the "centre of main interests" of such company is and will remain located in the state in which it has its registered office, the main insolvency proceedings (types referred to in Annex A of the EU Insolvency Regulation) in respect of such company under the EU Insolvency Regulation would be commenced in such jurisdiction. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in another Member State. The liquidator appointed by a court in an Member State (other than Denmark) that has jurisdiction to open main proceedings (because the company's "centre of main interests" is there) may exercise the powers conferred on him by the law of that Member State (other than Denmark) in another Member State (other than Denmark) (such as to remove assets of the company from that other Member State (other than Denmark)) subject to certain limitations so long as no insolvency proceedings have been opened in that other Member State (other than Denmark) or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State (other than Denmark) where the company has assets.

If the "centre of main interests" of a company is in one Member State (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open secondary or so called "territorial" insolvency proceedings only in

the event that such company has an “establishment” in the territory of such other Member State within the meaning as defined in Article 2(h) of the EU Insolvency Regulation. Secondary proceedings are limited to “winding-up proceedings” listed in Annex B of the EU Insolvency Regulation. The effects of those secondary insolvency proceedings are restricted to the assets of the company located in the territory of such other Member State. If the company does not have an establishment in any other Member State, no court of any other Member State has jurisdiction to open secondary insolvency proceedings in respect of such company under the EU Insolvency Regulation.

Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will always, subject to certain exemptions, be governed by the *lex fori concursus*, i.e., the local insolvency law of the court which has assumed jurisdiction for the insolvency proceedings of the company.

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening main insolvency proceedings that will be given the same effect in the other Member States as long as no secondary proceedings have been opened there.

In the event that the Issuer or any provider of Collateral experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer and the Collateral provided by the Issuer or any other company. The insolvency, administration and other laws of the jurisdictions in which the respective companies are organized or operate may be materially different from, or conflict with, each other and there is no assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

The Netherlands

As described above under “*Description of Notes—IPO Debt Pushdown*,” in connection with an IPO Debt Pushdown, an IPO Debt Pushdown Entity may assume all of the Issuer’s obligations under the Notes. This subsection on the Netherlands is solely applicable to the extent that the Issuer or a Guarantor is a private limited liability company incorporated under the laws of the Netherlands (*besloten vennootschap met beperkte aansprakelijkheid*). The domicile and the law applicable to an IPO Debt Pushdown Entity regarding insolvency and limitations on validity and enforceability of guarantees and security rights, may consequently be different than described in this Offering Memorandum. Prospective purchasers are urged to consult their own legal advisors regarding the potential consequences of the assumption of all of the Issuer’s obligations under the Notes by an IPO Debt Pushdown Entity in case of an IPO Debt Pushdown.

Since the Issuer and the Dutch Guarantor are incorporated under the laws of the Netherlands and have their statutory seat in the Netherlands, any insolvency proceedings with respect to the Issuer or the Dutch Guarantor are likely to proceed under, and be governed by, the insolvency laws of the Netherlands, provided that the “centre of main interest” of the Issuer or the Dutch Guarantor, respectively, as referred to in European Council Regulation (EC) No. 1346/2000 of May 29, 2000 on insolvency proceedings (the “European Insolvency Regulation”) is located in the Netherlands at the time any insolvency proceedings commence.

Under Dutch law, there are two applicable corporate insolvency regimes: (i) suspension of payments (*surseance van betaling*), which is intended to facilitate the reorganization of a debtor’s obligations and enable the debtor to continue as a going concern; and (ii) bankruptcy (*faillissement*), which is primarily designed to liquidate and distribute the assets of a debtor to its creditors. In practice, a suspension of payments nearly always results in the bankruptcy of the debtor. Both insolvency regimes are set forth in the Dutch Bankruptcy Act (*Faillissementswet*).

Suspension of Payments

A suspension of payments may only be filed for by the debtor itself if, and only if, it foresees it will not be able to continue to pay its debts as they come due. Upon request for a suspension of payments the court will grant a provisional suspension of payments, appoint an administrator to facilitate reorganization, and schedule a creditors’ meeting of known creditors. A definitive suspension of payments will generally be granted thereafter, unless either (i) a qualified minority of the debtor’s unsecured and non-preferential creditors (including subordinated creditors) withholds its consent, or (ii) the court sees no prospect that the debtor will become able to pay its debts over the course of time.

In the latter case the debtor will generally be declared bankrupt, as described in more detail below. In the large majority of cases, the administrator will request the court to convert the suspension of payments into a bankruptcy within days or weeks after the provisional suspension of payments has been granted.

During both a provisional and definitive suspension of payments, unsecured and non-preferential creditors (including subordinated creditors) are precluded from recovering their claims from the assets of the debtor. Secured and preferential creditors (such as tax and social security authorities) may, however, proceed against the assets that secure their claims or seek to recover their claims, as the case may be, although certain conditions and restrictions apply.

Bankruptcy

The commencement of bankruptcy proceedings may be filed by the debtor, a creditor or certain other parties in limited circumstances. A petition for bankruptcy must provide facts and circumstances presenting prima facie evidence that the debtor had ceased to pay its debts due and owed to one of at least two creditors. With the opening of a bankruptcy proceeding, a liquidator in receiver (*curator*) is appointed by the court and the debtor loses all rights to administer and dispose of its assets.

In Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds are distributed to the debtor's creditors on a pro rata basis. However, estate creditors (*boedelcrediteuren*) and preferential creditors (such as tax and social security authorities) have a right to have their claims paid before those of unsecured creditors. In addition, secured creditors can generally proceed against the assets that secure their claims without any restriction and regardless of any pending bankruptcy proceeding insofar as their claims can be satisfied out of the proceeds of the relevant collateral. Dutch tax authorities (*Belastingdienst*) have a preferential claim in respect of the collection of certain taxes, pursuant to which they are entitled to attach certain movable property found on the debtor's premises (*bodembeslag*). The receiver can force a secured creditor to enforce its security interest within a reasonable period of time, failing which, the receiver will be entitled to sell the secured assets (if any) and the secured creditor will have to share in the bankruptcy costs, which may be significant. Unsecured creditors must submit their claims to the liquidator in bankruptcy for "verification." Verification takes place in a creditors' meeting that will usually only be scheduled if the receiver foresees that the proceeds of the assets will allow for a distribution to unsecured creditors. In this 'verification meeting', the receiver will acknowledge or contest the existence, admissibility, ranking and value of the claim. An unsecured creditor may also contest another unsecured creditor's claim. Unsecured creditors that wish to dispute the rejection or valuation of their claims may commence proceedings before the relevant Dutch court after the verification meeting.

Voluntary payments (*onverplichte betalingen*) made by a debtor to a creditor prior to the debtor's bankruptcy may be successfully contested by the liquidator if both parties to the transaction knew or should have known that the transaction would prejudice other creditors. In the absence of evidence to the contrary, the debtor and the creditor are presumed to have knowledge of prejudice by virtue of law in a number of situations, if voluntary payments were made within one year before the bankruptcy. Payments that were due and payable to a creditor may be successfully contested by the receiver if: (i) the creditor receiving the payment knew that an application for bankruptcy had been filed at the time the payment was made, or (ii) the debtor and the recipient of the payment conspired in order to benefit the recipient of the payment to the detriment of the debtor's other creditors.

Effects of a suspension of payments or a declaration of bankruptcy

Both a suspension of payments and bankruptcy have retroactive effect from 00.00h of the day on which the suspension of payments or the bankruptcy of the relevant Dutch company is declared. In both a suspension of payments and bankruptcy, a freezing period (*afkoelingsperiode*) may be applicable for a period of up to two months (extendable by another period of up to two months). During such period secured and preferred creditors are prohibited from enforcing their security rights over assets without the prior approval of the supervising judge. Unlike Chapter 11 proceedings under U.S. bankruptcy law, where both secured and unsecured creditors are generally barred from seeking to recover on their claims, suspension of payment and bankruptcy proceedings against Dutch debtors would allow secured creditors and, in suspension of payments also preferential creditors (including tax and social security authorities), to satisfy their claims by proceeding against the assets (that secure

their claims) as if there were no bankruptcy or suspension of payments. However, a freezing period as described above may be ordered by the competent court both in a suspension of payments and bankruptcy. Furthermore, certain preferred creditors, for instance tax and social security authorities, have a preference by virtue of law. Unlike secured creditors, preferred creditors are not entitled to foreclose on the assets of the debtor. They do have priority in the distribution of the proceeds of the bankrupt's assets. The same restrictions on the enforcement of security interests which would apply outside of bankruptcy and suspension of payments proceedings may apply. For instance, higher-ranking rights must be respected.

Any pending executions of judgments against the debtor will be suspended by operation of law when a suspension is granted and terminated by operation of law when bankruptcy is declared. In addition, all attachments on the debtor's assets will cease to have effect upon the suspension of payments having become definitive, a composition having been ratified by the court or the declaration of bankruptcy (as the case may be) subject to the ability of the court to set an earlier date for such termination. Litigation pending on the date of the bankruptcy order is generally automatically stayed.

During either a suspension of payments or bankruptcy, a debtor can offer its unsecured and non-preferential creditors (including subordinated creditors) a composition of the debts (*akkoord*). Such a composition will be binding upon the debtor and the unsecured and non-preferential creditors if (i) more than half of such creditors (whose claims are accepted as valid by the liquidator or the relevant court and who are present or represented at the creditors' meeting) representing at least half of the total non-preferential and unsecured debt cast their votes in favor of the composition and (ii) the court approves the composition. Consequently, to the extent that a holder of Notes has an unsecured claim against the Issuer or a Dutch Guarantor, Dutch insolvency law could preclude or inhibit the ability of the holders of the Notes to effect a restructuring and could reduce the recovery of a holder of Notes in a Dutch suspension of payments proceeding or bankruptcy. Upon request by the debtor or the administrator/receiver, the court or supervisory judge if appointed can decide to adopt the proposed but rejected composition as if it were approved if (i) three-fourths the number of the creditors represented at the creditors' meeting approved the composition and (ii) the rejection of the composition is caused by one or more creditors such that, taking all circumstances into consideration, especially the percentage of the claim that such creditor(s) would receive in case the estate is liquidated and distributed, such creditor(s) reasonably could not have voted against the composition.

Certain limitations on the validity and enforceability of the guarantees and security interests as to Dutch law

You may not be able to enforce, or recover any amounts under, the security interests pursuant to a Dutch security document or guarantees due to restrictions on the validity and enforceability of security interests and guarantees under Dutch law.

General Defenses and Corporate Benefit

In general, receipt of any payment under a Dutch law-governed guarantee or security interest may be affected by (a) the standards of reasonableness and fairness (*maatstaven van redelijkheid en billijkheid*), (b) force majeure (*niet-toerekenbare tekortkoming*) and unforeseen circumstances (*onvoorzienne omstandigheden*), and (c) the other general defenses available to debtors under Dutch law in respect of the validity, binding effect and enforceability of such guarantee or security interest. Other general defenses include claims that a guarantee or security interest should be avoided (*vernietigd*) because it was entered into through undue influence (*misbruik van omstandigheden*), fraud (*bedrog*), duress (*bedreiging*) or error (*dwaling*). Other impeding factors include the rights of suspension (*opshorting*), dissolution of contract (*ontbinding*) and set-off (*verrekening*). The enforceability of the obligations of the Issuer or a Dutch Guarantor may also be limited under the 1977 Sanction Act (*Sanctiewet 1977*) or otherwise by international sanctions and in proceedings in a Dutch court for the enforcement of a Dutch law security interest, the court may mitigate amounts due in respect of litigation, enforcement and collection costs.

Furthermore, if the Issuer or a Dutch Guarantor enters into a transaction (such as the granting of a guarantee or security interest), the validity and enforceability of the relevant transaction may be contested by the Dutch company or its administrator (*bewindvoerder*) in suspension of payments or its receiver (*curator*), if (i) that transaction is not in the company's corporate interest (*vennootschappelijk belang*) and (ii) the other party to the transaction knew or should have known this without independent investigation. In determining whether the granting of a guarantee or the giving of security is in the

interest of the relevant company, a Dutch court would not only consider the text of the objects clause in the articles of association of the company but also all relevant circumstances, including whether the company derives certain commercial benefits from the transaction in respect of which the guarantee or security interest was granted and any indirect benefit derived by the relevant Dutch company as a consequence of the interdependence of it with the group of companies to which it belongs and whether or not the subsistence of the relevant Dutch company is jeopardized by conducting such transaction. The mere fact that a certain legal act (*rechtshandeling*) is explicitly mentioned in the objects clause in the articles of association of the company may not be conclusive evidence to state that such legal act is in the corporate interest.

As of October 1, 2012, the prohibition on financial assistance for a Dutch limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) was removed from Dutch law. In connection with such removal, the legislator noted that the granting of security with a view to the acquisition (or the refinancing thereof) by any party of shares in the company's share capital or the shares of its (direct or indirect) parent company could, depending on the further circumstances, constitute *ultra vires*. At present, there is no Dutch case law on this subject.

Fraudulent Conveyance

Dutch law contains specific provisions dealing with fraudulent conveyance both in and outside of bankruptcy, the so-called *actio pauliana* provisions. Under Dutch law, any creditor of a Dutch entity or its receiver (*curator*) may nullify any transaction or legal act entered into by such Dutch entity in connection with the Notes, under certain circumstances, if (i) the transaction or legal act entered into by such Dutch entity in connection with the Notes was conducted without prior existing legal obligation to do so (*onverplicht*); (ii) the creditor(s) concerned or, in the case of its/their bankruptcy, any creditor was prejudiced as a consequence of such transactions or legal act (irrespective of whether a creditor's claim arose prior to or after such transactions); and (iii) at the time the transaction or legal act entered into by the Issuer in connection with the Notes was conducted (including the granting of the Guarantee or any security), the Issuer and, unless the transactions were conducted for no consideration (*om niet*), the counterparty knew or should have known that one or more of the entities' creditors (existing or future) would be prejudiced (*actio pauliana*).

A receiver (*curator*) may nullify a transaction on behalf of and for the benefit of the joint insolvent debtor's creditors, and the burden of proof of the above-mentioned elements of fraudulent conveyance in principle rests on the receiver. Knowledge of prejudice is, however, presumed by law for certain transactions performed within a "suspect period" of one year prior to an adjudication of bankruptcy. This is applicable for certain transactions only, the most important examples being cases where the obligations of the bankrupt materially exceed those of the other party, the satisfaction of existing obligations of the bankrupt which are not yet due, and acts between the bankrupt and its counterparty when the shares in both are held (indirectly) by the same shareholder or if the bankrupt and its counterparty are part of the same group of companies. The foregoing requirements for invoking fraudulent transfer provisions outside of a bankruptcy apply *mutatis mutandis* when invoking fraudulent transfer provisions during a bankruptcy. In addition, the receiver may challenge a transaction if it was conducted on the basis of a prior existing legal obligation to do so (*verplichte rechtshandeling*), if (i) the transaction was conducted at a time when the counterparty knew that a request for bankruptcy had been filed or (ii) if such transaction was conducted as a result of deliberation (*samenspanning*) between the debtor and the counterparty in order to give preference to the counterparty over the debtor's other creditors. Consequently, the validity of any such transactions conducted by a Dutch legal entity may be challenged and it is possible that such a challenge would be successful.

The application of Dutch law in respect of a Dutch law security interest in the Collateral will not prevent effect being given to the overriding provisions of the law of a jurisdiction with which the situation has a close connection (and for this purpose "overriding provisions" are provisions the respect for which are regarded as crucial by a jurisdiction for safeguarding its public interests to such an extent that they are applicable to any situation falling within their scope, irrespective of the law otherwise applicable to an agreement, and include any rules (whether mandatory or not) which must be applied pursuant to the EU Insolvency Regulation) and will not prevent regard having to be had to the law of the jurisdiction in which performance takes place in relation to the manner of performance and the steps to be taken in the event of defective performance. In addition, enforcement of each Dutch law security interest in the Collateral (including allocation of the proceeds) is subject to Dutch law. Among

other things, under Dutch law shares may only be transferred upon enforcement in accordance with Dutch law and the articles of association of the company in which shares are pledged at the time of enforcement. Rights of third parties acquiring a share or a limited right on a share and acting in good faith (*te goeder trouw*) may also affect the binding effect and enforceability of a Dutch law security interest in the Collateral.

In proceedings before a Dutch court, security interests are in principle enforced through a public auction of the relevant assets in accordance with Dutch law. The Security Agent or the Collateral providers may request the competent court to approve a private sale of the secured assets, except when otherwise agreed. The Security Agent and Collateral providers may agree to an alternative foreclosure procedure once the security right has become enforceable. In the Intercreditor Agreement the Collateral providers have agreed to waive the right to request for such alternative foreclosure procedure. The Security Agent may also request the competent court to determine that the secured assets shall accrue to it for a price determined by the court. In the case of a pledge, the right of the Collateral providers to request approval of a private sale may be excluded.

Parallel Debt

As it is uncertain under Dutch law as to whether security interests can be granted to a party other than the creditor of the claim which is purported to be secured by such security interests, financing structures in which Dutch security is required, frequently provide for the creation of a so-called parallel debt obligation. The Dutch law security interests can be granted to a security agent as security for the parallel debt which is a separate and independent claim equal to the total amount payable by the relevant Dutch debtor under the relevant transaction documentation. Such parallel debt will be at all times in the same amount and payable at the same time as the obligations of the obligors. Any payment in respect of the obligations of the Dutch debtor shall discharge the corresponding parallel debt and any payment in respect of the parallel debt shall discharge the corresponding obligations of the obligors. The security interests are granted to the Security Agent, on behalf of the holders of the Notes offered hereby, in its own capacity as creditor acting in its own name, pursuant to the Parallel Debt and not as a representative (*vertegenwoordiger*) of the holders of the Notes. The Security Documents governed by Dutch law will directly secure the Parallel Debt, and may not directly secure the obligations under the Notes and the other indebtedness secured by the Collateral. The holders of the Notes from time to time will not be parties to the Security Documents and those holders of the Notes will not be entitled to take enforcement actions in respect of such security interests except through the Security Agent. As a result, the holders of the Notes bear some risks associated with a possible insolvency or bankruptcy of the Security Agent. In addition, it is noted that there is no statutory law or case law available on the validity or enforceability of the parallel debt construct or the security provided for such parallel debt. However, there are good reasons to maintain that a parallel debt such as the Parallel Debt as set out in the Security Documents creates a claim of the pledgee (the Security Agent) thereunder which can be validly secured by security rights. To the extent that the security interests in the Collateral created to secure the Parallel Debt are successfully challenged by other parties, holders of the Notes will not (directly) receive any proceeds from an enforcement of the security interests in the Collateral.

A Dutch pledge can serve as security for monetary claims (*geldvorderingen*) only and can only be enforced upon default (*verzuim*) of the obligations secured thereby. Foreclosure on pledged property is to be carried out in accordance with the applicable provisions and limitations of the Netherlands Civil Code (*Burgerlijk Wetboek*) and the Netherlands Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*).

Australia

Australian law imposes a strict duty on directors of a company to prevent insolvent trading. For directors, failure to prevent insolvent trading carried with it a risk of personal liability under section 588G of the Australian Corporations Act, which if established can result in civil and criminal penalties.

Two of the Guarantors, SMR Holding Australia Pty Limited and SMR Automotive Australia Pty Limited are incorporated under the laws of Australia and operate in Australia (“**Australian Guarantors**”). Therefore, insolvency processes with respect to them are likely to be governed by Australian insolvency law. The insolvency law and processes which apply in Australia are different from the insolvency laws of the United States.

If an Australian Guarantor becomes insolvent, the treatment and ranking of holders of the Notes, other creditors of the company and the shareholders under Australian law may be different to the resulting treatment and ranking if it was subject to the bankruptcy laws of the United States or other jurisdictions.

There are four principal corporate insolvency processes in Australia: (a) administration (sometimes referred to as voluntary administration); (b) deed of company arrangement; (c) liquidation (also referred to as winding up); and (d) receivership. There is also a fifth less common regime pursuant to a scheme of arrangement. A brief description of each process is set out below.

Administration

Under section 435A of the Australian Corporations Act, the object of administration is to provide for the business, property and affairs of an insolvent company to be administered in a way that maximizes the chances of the company, or as much as possible of its business, continuing in existence. Alternatively, if it is not possible for the company or its business to continue in existence, the object of the administration is to achieve a better return for the company's creditors and members than would result from an immediate winding up of the company.

A company is placed into administration by: (i) a resolution of its board of directors if the board resolves that the company is insolvent or is likely to become insolvent at some future time; or (ii) by a secured creditor who is entitled to enforce its security over the whole or substantially the whole of the company's property (although a secured creditor would usually prefer to appoint a receiver who, unlike an administrator, will, subject to some duties being owed to the company, primarily act in the interests of the secured creditor).

Within eight business days of that administrator being appointed, a meeting of the debtor's creditors (termed "the first meeting of creditors") is to be held to give the creditors the opportunity to reject the directors' choice of administrator and appoint another administrator, and to decide whether to appoint a committee of creditors.

An administration is intended to be for a short period (20 business days or 25 business days if the administration occurs during the Christmas or Easter holiday period), but this time period is often extended by an adjournment of the second meeting of creditors or by court order.

During the administration, an administrator controls the company and acts as its agent. The powers of the directors and officers are suspended, though they remain in office and have a duty to assist the administrator. Transfers of shares in the company are void unless the administrator gives his written consent or a court authorizes the transfer.

The administrator's role is to assess the company's situation and its options (usually liquidation, execution of a deed of company arrangement or to return the company to the control of its directors) and report to creditors as to which option should be followed. The creditors in the second meeting of creditors vote on which option is to be adopted and a resolution is carried on the voices by a simple majority (in number), unless a poll is conducted in which case a resolution is carried by number and value. Once passed, the resolution is binding on all of the company's creditors. If secured creditors elect not to vote on the resolution, they will not be bound by it. The capacity to vote on the resolution gives secured creditors a significant measure of control over the outcome of the administration procedure, in particular whether a deed of company

To permit the administrator the opportunity to make an assessment, for the duration of the administration there is a stay on the enforcement of creditors' claims, actions against the company and its property (subject to certain exceptions, such as if the relevant security interest has been perfected within the meaning of the Australian *Personal Property Securities Act 2009* (Cth)) and legal proceedings unless the administrator consents or the court grants leave.

An administrator is required to give immediate notice of his appointment to any secured creditor who has a security over "the whole or substantially the whole" of the company's assets. This creditor is permitted to enforce its security interest within the 13 day period from the commencement of the administration. It is common for secured lenders to take security over the whole or substantially the whole of the property of Australian companies to avail themselves of this exception.

A court, on the application of the administrator, may limit a secured creditor's or receiver's powers in relation to secured property and these orders may only be made if the court is satisfied that

the administrator will adequately protect the secured creditor's interests. If a receiver is not appointed before the administration or during the decision period, an administrator may dispose of secured property in the ordinary course of business, with the secured creditor's consent or with the leave of the court.

Deed of Company Arrangement

A company progresses into a deed of company arrangement when a company's creditors resolve at the second meeting of creditors held during the administration that the company execute a deed of company arrangement. The administrators are appointed the deed administrators unless creditors resolve to appoint other individuals. A deed of company arrangement is a compromise agreement binding on the company, its creditors, officers and members. All unsecured creditors whose debts are provable are bound by the deed of company arrangement even though they did not vote in favor of it.

Once the deed of company arrangement is executed, the administration terminates and the moratorium restrictions come to an end and are replaced by the provisions of the deed. During the period of a deed of company arrangement, secured creditors may enforce over the secured property provided they did not vote in favor of the deed (and the deed restricts the secured creditors' ability to enforce against the security) or they are not prevented from enforcing an order of the court. A court, on the application of the deed administrator, may limit a secured creditor's or receiver's powers in relation to secured property and these orders may only be made if the court is satisfied that the deed administrator will adequately protect the secured creditor's interests.

The deed administrator may be tasked by the deed with realizing assets, closing down the business, restructuring the company or pursuing litigation with a view to the payment of dividends to creditors. The deed may provide for the compromise of certain creditors' claims, payment of creditors by installment or specify that different creditors are to be treated differently (either by extinguishment of claims or subordination). The order of distribution of proceeds to creditors will be specified in the deed and can be different to the order which applies in liquidation. Once the tasks specified by the deed are completed and proceeds distributed to creditors, the deed usually specifies that the company is released from those debts and the deed terminates.

Liquidation

A company is placed into liquidation by (i) a court order (on the application of the company, a creditor, a contributory, a director, a liquidator or provisional liquidator); (ii) the Australian Securities and Investments Commission; or (iii) voluntarily by a special resolution of the company's members. A liquidator controls the company and acts as its agent. The powers of the directors and officers are suspended and they have a duty to assist the liquidator. The company ceases to carry on its business except to the extent the liquidator believes this is necessary for the beneficial disposal of the company. Transfers of shares in the company are void unless the liquidator gives his written consent or a court authorizes the transfer. There is stay on court proceedings against the company and on enforcement processes except with the leave of the court. However, the rights of secured creditors are not affected by this stay.

The purpose of a liquidation is to enable the realization of all of a company's assets, the calling up of partly paid shares, a proof of debt process and the distribution of the proceeds among the company's creditors and (if there is a surplus after paying creditors) a distribution of the surplus to members. The distribution of proceeds will be subject to statutory priority rules. The company's existence will then be brought to an end by deregistration.

Generally speaking, to the extent their security is sufficient, secured creditors stand outside the liquidation. Secured creditors do not have to prove for their debts and they have the right to enforce their security and to receive the proceeds, subject to the rights of any prior security holders and the for certain payments which have priority over circulating security interests (see below under receivership).

Receivership

Receivers are typically appointed under the terms of a security. A receiver's appointment in respect of secured property can continue during an administration or a liquidation of the company (subject to the exceptions above). A receiver's powers are usually governed by the terms of the security under which they are appointed. The receiver's principal task is to take possession and control

of the secured property and realize the property subject to the security and pay the proceeds to the security holder. A receiver is an agent of the company and owes residual duties to the company, unsecured creditors and shareholders, as an officer of the company. A receiver has a duty to take all reasonable care to sell secured property for not less than market value or, if there is no market value, the best price reasonably obtainable. During a receivership, there is no stay in place and other creditors may pursue debts and claims against the company.

Where a secured creditor holds a circulating security interest, there are claims which rank in priority to the secured creditor and must be paid out of any enforcement proceeds before any proceeds are remitted to the secured creditor. These claims are: (i) if the proceeds are from contracts of insurance and the insurance policy is in respect of liability to third parties, the proceeds must be paid to the third party in respect of whom the liability was incurred; (ii) auditor's fees and expenses for the period between when the ASIC has refused consent to the auditor's resignation and the date the receiver was appointed; (iii) wages, superannuation contributions and superannuation guarantee charge payable by the company in respect of services rendered to the company by the employees prior to the date the receiver was appointed; (iv) all amounts due on or before the date the receiver is appointed in respect of leave of absence owing to employees; (v) retrenchment payments; and (vi) all amounts which have been advanced by other parties to the company for the purpose of paying wages, superannuation contributions or payments in respect of leave of absence or termination of employment.

A circulating security interest is a floating charge or a security interest where the secured party has given the grantor express or implied authority to transfer the secured asset in the ordinary course of business free of the security interest or the secured asset is an account, inventory or negotiable instrument which is not perfected by control or the asset is goods and is perfected by possession.

A receiver may also have an obligation to discharge from enforcement proceeds any tax payable on any income, profits or gains in respect of the assets sold in priority to the secured creditor.

Scheme of Arrangement

A scheme of arrangement is an arrangement or compromise which binds the company and its creditors or members even though a minority of those creditors or members may oppose it. As it is similar in effect to a deed of company arrangement entered into after an administration, schemes of arrangement are rarely used in an insolvency context in Australia.

Limits to Enforcement of Guarantees

The Australian Guarantors will guarantee the payment of the Notes on a senior secured basis, which will provide the holders of the Notes with a direct claim against each Australian Guarantor. However, enforcement of the Guarantees and the security will be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference or, transaction at undervalue, unlawful assistance, breaches of directors' duties, unconscionable conduct, economic duress, penalties or other similar laws, regulations or defenses affecting the rights of creditors generally, which could render the security or the Guarantees limited, void, unenforceable or ultra vires. If any of the security is voided, it is possible that you will be left with an unsecured claim against the Guarantor or if the Guarantees are voided you may be left with no claim against the Guarantors and a claim solely against the Issuer.

If, on the application of a company's liquidator, a court is satisfied that a transaction of the company is a voidable transaction, namely an unfair preference or an uncommercial transaction, which is also an insolvent transaction, it may make a variety of orders which are set out in section 588FF of the Australian Corporations Act. These orders include an order releasing or discharging, wholly or partly, a debt incurred, or a security or guarantee given, by the company under or in connection with the transaction or an order requiring a party to repay to the company some or all of the money it received under the transaction. It is not necessary to establish that the directors of the company have breached their duties to the company in any way or that the person taking the benefit of the guarantee or security had actual or constructive notice that the transaction was an insolvent transaction. A creditor whose transaction is unwound as a voidable transaction may prove in the liquidation as if the transaction had not been entered into.

Additionally, certain security interests over circulating assets may be void against a liquidator pursuant to section 588FJ of the Australian Corporations Act and loans may be challenged on the basis they are unfair loans under section 588FD of the Australian Corporations Act.

Unfair Preferences

An unfair preference is a transaction between a company and a creditor which results in the creditor receiving from the company, in respect of an unsecured debt, more than it would receive if the transaction were set aside and the creditor were to prove for the debt in a winding up of the company (section 588FA(1) of the Australian Corporations Act). For the purposes of this section, a secured debt or a part thereof is taken to be unsecured to the extent it is not reflected in the value of the security.

An unfair preference is an insolvent transaction if the company either: (i) is insolvent when the transaction is entered into or when an act is done (or an omission is made) for the purpose of giving effect to the transaction; or (ii) becomes insolvent because of, or because of matters including, entering into the transaction or because of a person doing an act (or making an omission) for the purpose of giving effect to the transaction (section 588FC of the Australian Corporations Act).

An unfair preference that is an insolvent transaction is voidable if it was entered into (or an act was done for the purpose of giving effect to it): (i) during the six months ending on the relation-back day (as explained below); (ii) after the relation-back day but on or before the day when the winding up began (section 588FE(2) of the Australian Corporations Act); or (iii) if a related entity of the company was a party to the transaction, during the four years ending on the relation-back day (section 566FE(4) of the Australian Corporations Act). The “relation-back day” is: in the case of a court liquidation, the date on which the application for winding-up the company is filed with the court; in the case of a voluntary liquidation, the date the members resolve to place the company into liquidation; or if the liquidation is preceded by an administration, the day the administration commenced (section 9 of the Australian Corporations Act).

Uncommercial Transactions

A transaction is an uncommercial transaction under section 588FB(1) of the Australian Corporations Act if it may be expected that a reasonable person in the company’s circumstances would not have entered into the transaction, having regard to: the benefits (if any) to the company of entering into the transaction; the detriment to the company of entering into the transaction; the respective benefits to other parties to the transaction of entering into it; and any other relevant matter. “Transaction” is broadly defined and generally includes the provision of a guarantee. A guarantee would not constitute an uncommercial transaction if the benefit to the company providing the guarantee in the context of the transaction outweighs the detriment that could be incurred by the company in providing the guarantee.

An uncommercial transaction is an insolvent transaction if: (i) the company is insolvent when the transaction is entered into, or an act is done (or an omission is made) for the purpose of giving effect to the transaction; or (ii) the company becomes insolvent because of, or because of matters including, entering into the transaction or a person doing an act (or making an omission) for the purpose of giving effect to the transaction (section 588FC of the Australian Corporations Act).

An uncommercial transaction that is an insolvent transaction is voidable if it was entered into (or an act was done for the purpose of giving effect to it) during: (i) the two years ending on the relation-back day (section 588FE(3) of the Australian Corporations Act); or (ii) if a related entity of the company was a party to the transaction, the four years ending on the relation-back day (section 566FE(4) of the Australian Corporations Act). The “relation-back day” has the same meaning as described above under the unfair preferences section.

Circulating Security Interest Granted Within Six Months of the Relation-Back Day

If a company is wound up in insolvency and a circulating security interest has been granted within six months of the relation-back day (as defined above) or after the relation-back day but before the commencement of a winding up, the charge is void against the liquidator (section 588FJ of the Australian Corporations Act) subject to certain exceptions.

This does not apply if it is proved that the company was solvent immediately after the circulating security interest was granted. If a debt secured by such a circulating security interest is discharged out of the company’s money or property within six months of the relation back day or after that day but on or before the day when the winding up began, the liquidator may pursue court proceedings to recover from the secured party, as a debt due to the company, the net amount gained, which is the amount that would have been effectively unsecured and recoverable by the liquidator, if the debt had not been discharged, less any costs and expenses of enforcing the security interest.

Unfair Loan

A loan may be challenged on the basis it is an unfair loan under section 588FD of the Australian Corporations Act if interest or other charges in relation to the loan are considered to be extortionate when the loan was made, having regard to a number of factors including the risk to which the lender was exposed, the value of the security in respect of the loan, the term of the loan, the repayment schedule, the amount of the loan and any other relevant matter.

There are various time periods within which a liquidator can take such action depending on the nature of the transaction being challenged. The test for insolvency in Australia in this context is whether the relevant company is able to pay its debts as and when they become due and payable.

Other grounds

Under Australian law, a guarantee given by a company may also be set aside on a number of additional grounds. For example, a guarantee may be unenforceable against a guarantor if the directors of the guarantor did not comply with their duties to act in good faith for the benefit of the guarantor and for a proper purpose in giving the guarantee. The issue is particularly relevant where a company provides a guarantee in relation to the obligations of another member of its corporate family, as is the case for the Note Guarantees with respect to the Notes. In determining whether there is sufficient corporate benefit to the guarantor, all relevant facts and circumstances of the transaction need to be considered by the directors, including the benefits and detriments to the guarantor in giving the guarantee, and the respective benefits to the other parties involved in the transaction.

Whether a guarantee entered into in breach of directors' duties can be avoided against a party relying on the guarantee depends on certain factors, including the state of knowledge of that party, and whether the party knew of or suspected the breach. Also, under Australian law, a person is entitled to assume that the directors have properly performed their duties to the company unless that person knows or suspects that they have not done so. In addition, other debts and liabilities of the Australian Guarantors and the Issuer, such as certain employee entitlements or amounts owed to tax authorities, may rank ahead of claims under the security.

The UNCITRAL Model Law on Cross-Border Insolvency ("**Model Law**") has force of law in Australia through the enactment of the Australian *Cross Border Insolvency Act 2008* (Cth). The Model Law includes provisions for the co-operation of the Australian courts with representatives of foreign insolvency proceedings and provides for the facilitation of those insolvency proceedings in Australia.

Cyprus

SMR Automotive Technology Holding Cyprus Limited is incorporated under the laws of the Republic of Cyprus and is a Guarantor.

Enforcement of guarantees

Under the Cyprus Companies Law, any conveyance, charge, mortgage, delivery of goods, payment, execution or other act relating to property made or done by or against a Cyprus company within six months before the commencement of its winding up by a court may be invalidated as a fraudulent preference. For a transaction to constitute a fraudulent preference it must appear that the transaction took place within six months of the commencement of the company's winding up and that the dominant motive in the mind of the company, acting through its directors, was to prefer a particular creditor. If these requirements are satisfied, the transaction will be deemed to be fraudulent regardless of whether any moral blame attaches to the company. The risks of a transaction being invalidated as a fraudulent preference are increased where the transaction is not commercially beneficial to the company.

Insolvency proceedings

In Cyprus, a company may be wound up (a) by a court, (b) voluntarily or (c) subject to the supervision of the court. A company may be wound up by a court if (a) such company has by special resolution resolved that it be wound up by a court; (b) default is made in delivering the statutory report to the registrar or in holding a statutory meeting; (c) the company does not commence its business within a year from its incorporation or suspends its business for a whole year; (d) the number of members is reduced, in the case of a public company, below seven; (e) the company is unable to pay its debts; or (f) the court is of opinion that it is just and equitable that the company should be wound up.

A company will be deemed to be unable to pay its debts in the following situations:

- if a creditor, by assignment or otherwise, to whom the company is indebted in a sum exceeding €5,000 than due has served on the company, by leaving it at the registered office of the company, a demand under his hand requiring the company to pay the sum so due and the company has for three weeks thereafter neglected to pay the sum or to secure or compound for it to the reasonable satisfaction of the creditor; or
- if execution or other process issued on a judgment, decree or order of any court in favor of a creditor of the company is returned unsatisfied in whole or in part; or
- if it is proved to the satisfaction of the court that the company is unable to pay its debts at the time that they fall due, and, in determining whether a company is unable to pay its debts at the time that they fall due, the court will take into account the contingent and prospective liabilities of the company; or
- if it is proved, to the satisfaction of the Court, that the value of the assets of the company is less than the amount of its liabilities, taking into account its contingent and prospective liabilities.

Pursuant to the mandatory statutory order of distribution of assets provided by the Cyprus Company Law, Cap 113, the order for repayment in a winding up is as follows:

- secured creditors. to the extent of their security. Although a liquidator may appeal to the Court for leave to deal with any secured property in the course of a liquidation with the primary aim of securing a better price in selling the same, that would not in any way alter the preference enjoyed by such secured creditor on liquidation of the secured property. The liquidator does not have the right to dispose such property without the written consent of the secured party for an amount less than the amount secured. The secured creditor shall rank above the below ranked. preferred creditors;
- costs of winding up, which includes disbursements, liquidator's fees and appointed person's fees (such as auditors' fees);
- preferential debts, including local taxes and government taxes due within twelve months before liquidation, unpaid wages, social security contributions and personal injury compensation relating to work during standard working hours;
- unsecured creditors; and
- deferred debts, including sums such as dividends which are due to the shareholders.

Guarantee validity and fraudulent preference

Pursuant to the Cyprus Contract Law, Cap 149, if it is found that a guarantee was obtained by means of misrepresentation by the creditor, or a misrepresentation which concerns a material part of the transaction and of which the creditor had knowledge and assent, the guarantee may, if proper findings are made by a court, be rendered invalid.

Cyprus Companies Law, Cap 113 will void any payment or disposition, made from or against a company within six months from its winding up, with the intention of giving a creditor or a surety a preference over its other creditors at a time when such company was unable to pay its debts as they fell due.

Examinership

Under new legislation, a Company in Cyprus may be placed under Examinership, whereby the protection of the Court is obtained to assist the survival of a company. Essentially it allows a company to restructure with the approval of the Court. The process usually results in creditor balances being reduced while intangible assets of the Company are protected, investment is obtained and, in the short term at least, directors retain control. Examinership is an option available to an insolvent company that enables it to explore all opportunities to provide for its survival. It is a management friendly process that is inclusive of customers, creditors, suppliers and staff. The Examinership law as it may be called reflects the pro-active self-help provisions of the U.S. Chapter 11 type protection afforded to companies and is modeled on the Irish Examinership Law. There are two criteria for determining whether a company qualifies for Examinership. The first is to satisfy the tests set out in the Law. The second are commercial considerations.

Statutory Provisions

At the outset, the Company must be insolvent and unable to pay its debts in order to have an examiner appointed. It must also be able to demonstrate that it has a “reasonable prospect of survival” as a whole or part, as a going concern. No examiner can be appointed to a company if an official liquidator has been appointed or where a receiver has been acting for a period longer than 30 days. Whether the company is likely to attract investment is the key factor having regard to the examinership option.

The Court protection is offered for a period of 120 days, which can be extended by application to the Court to 180 days. The statutory duty of the examiner is to conduct an examination of the company’s affairs with a view to formulating proposals for a scheme of arrangement, for presentation to meetings of the company’s shareholders and creditors, for the ultimate approval of the Court.

The process is inclusive of all aspects of the company’s business and is “management friendly” and in that regard must be distinguished from the unilateral nature of receivership or liquidation. The examiner is expected to communicate with all creditors, customers and staff to explain the process and its effect on the company’s ongoing business.

The Formulation of a Scheme of Arrangement

In order for a Scheme of Arrangement to be successful the examiner must persuade at least one class of creditors to accept the Scheme before it can be brought before the Court for approval. In addition the examiner must ensure that all creditors within a class are treated the same way. The first task of an examiner is to divide the body of creditors into different classes.

The typical Scheme will involve a secured creditor receiving all of the funds owing to him, but sometimes by way of installments and at times by some writing off of interest. The preferential creditors will usually receive a substantial dividend whereas the unsecured creditors much less. The key to having a Scheme approved by the creditors is to formulate and present the Scheme in such a way that it is clear that the creditors will ensure a more advantageous outcome for themselves by accepting the examiners proposals, than would be the case should the company be wound up.

Following the formulation of the Scheme it is put to the vote of the shareholders and creditors. Once this is done the examiner reverts to the Court with a report on the outcome of the meetings. The report should indicate to the Court the views of the various classes of creditors. It is expected a Court will be inclined to approve a Scheme which enjoys considerable support. An examiner is permitted to formulate only those proposals which make it likely a company will survive as a going concern in whole or in part.

Protection of the Company during the process

An obvious advantage of examinership for a company is the avoidance of numerous risks for the company, in particular:

- a receiver cannot be appointed by the company’s debenture holder while under the protection of the Court;
- a petition cannot be presented to the Court to have an official liquidator appointed;
- no goods may be seized or claimed by any creditor through the Sheriff, no goods held under a lease or a hire purchase agreement may be repossessed by the leasing company and no goods the subject of retention of title can be repossessed without the consent of the examiner;
- no other proceedings may be commenced against the company without the consent of the Court;
- personal guarantees cannot be enforced during the examinership process. In certain circumstances, a personal guarantee may not be valid following the approval of the Court of the examiner’s proposals for a scheme of arrangement.

Enforcement of Creditor Rights

SMR Automotive Technology Holding Cyprus Limited is a limited liability company organized under the laws of the Republic of Cyprus. The Cypriot Guarantors’ directors, officers and other executives are neither residents nor citizens of the United States or the United Kingdom as of the date of this offering memorandum. Furthermore, all of the Cypriot Guarantors’ assets are located outside the United States and the United Kingdom. As a result, the possibility of the holder of the Notes to file a suit abroad or to commence any proceedings against a Cypriot Guarantor or require foreign courts to

issue court decisions against a Cypriot Guarantor or fulfill decisions issued by such courts that are based on the provisions of foreign legal regulations may be limited.

EU member states

The Republic of Cyprus, being a member of the European Union, also applies the regime envisaged under the Council Regulation (EC) 1215/2012 of December 12, 2012 on the jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. For judgment issued by a Court of a member state of the European Union, the Cypriot Courts directly apply the procedure provided by the Council Regulation. The first stage of the procedure, by which a declaration of enforceability is sought, can commence by an application that can be filed without notice to the other side (*ex parte*); however, the declaration of enforceability shall be served on the party against whom enforcement is sought, which shall have a right to appeal it before the applicable District Court. Other than protective measures, no measures of enforcement against the property of the party against whom enforcement is sought may be commenced before an appeal against the declaration of enforceability has been determined.

Non-EU member states

If recognition of a foreign judgment in the Republic of Cyprus is sought by reason of an International Treaty providing for recognition of foreign court judgments or arbitral awards, the procedure shall be governed by the Foreign Court Judgments (Recognition, Registration and Enforcement) Law of 2000, (121(I)/2000). This procedure commences with a by-summons application (i.e. with notice to the party against whom enforcement is sought) which shall have the right to oppose it on the grounds envisaged in the respective Treaty. An opposition should be supported by an affidavit. Enforcement measures, other than protective measures, may only be sought after the application for recognition has been determined.

A court judgment issued in a country with which the Republic of Cyprus does not presently have a Treaty providing for reciprocal recognition and enforcement of judgments, may be enforced in the Republic of Cyprus by bringing a claim in the Cyprus courts in the form of a common law action on that foreign judgment. The said judgment will therefore not be enforceable in Cyprus directly by execution or any other process, but will be regarded, for procedural purposes, as creating a debt between the parties to it, the debtor's liability arising on an implied promise to pay the amount of the foreign judgment. Currently, this procedure is not very often used in practice and whether it will lead to a successful recognition and enforcement of a foreign judgment in the Republic of Cyprus cannot be safeguarded as it will depend on the success of a Cypriot action that would be filed.

England and Wales

A number of the Guarantors are companies incorporated under the laws of England and Wales (the "English Notes Guarantors"). Therefore, and subject as follows, any insolvency proceedings with respect to the English Notes Guarantors would be likely to proceed under and be governed by English insolvency laws, although insolvency proceedings in respect of the English Notes Guarantors could also proceed under the laws of other jurisdictions in certain circumstances, in particular if the "centre of main interests" (as that term is used in the EC regulation on insolvency proceedings (Council Regulation (EC) 1346/2000 on insolvency proceedings (the EC Insolvency Regulation)) of the relevant English Notes Guarantor is located in another EU member state (excluding Denmark) (see further "*—Cross Border Insolvency*" below).

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or creditor making an application for administration, in or out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely, to become unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

Under the U.K. Insolvency Act (as defined below), a company is unable to pay its debts if it is insolvent either on a "cash-flow" or "balance-sheet" basis. A company is cash-flow insolvent if it is unable to pay its debts as they fall due and cash-flow insolvency will be deemed to exist if it fails to satisfy a creditor's statutory demand for a debt exceeding £750 or if it fails to satisfy in full a judgment debt (or similar court order). A company is balance-sheet insolvent if the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities.

Administration

Administration is an insolvency procedure under the Insolvency Act 1986, as amended (the “**U.K. Insolvency Act**”), pursuant to which a company may be reorganized or its assets realized under the protection of a statutory moratorium. A company may be put into administration either pursuant to a court order or via an out-of-court process. Broadly speaking (and subject to specific conditions), a company can be placed into administration on the application to court of, among others, its shareholders, its directors or one or more of its creditors (including contingent and prospective creditors). A holder of a qualifying floating charge over the assets of the company also has the right to appoint an administrator pursuant to an out-of-court process. In addition, he has the right to intervene in an administration application made by another person by nominating an alternative administrator or in certain very specific circumstances, by blocking the appointment altogether by the appointment of an administrative receiver.

An administrator may only be appointed (either by a court or via the out-of-court process) if there is sufficient evidence (which varies depending on the method of appointment) including that (i) the company proposed to be the subject of the administration is or is likely to become “unable to pay its debts” and (ii) that the administration is reasonably likely to achieve one of the statutory objectives of administration.

The administration of a company must achieve one of the following statutory objectives: (i) the rescue of the company (as distinct from the business carried on by the company) as a going concern (the “primary objective”); (ii) the achievement of a better result for the company’s creditors as a whole than would be likely if the company were wound up (without first being in administration) (the “second objective”); or (iii) the realization of some or all of the company’s property to make a distribution to one or more secured or preferential creditors (the “third objective”). An administrator must attempt to achieve the objectives of administration in the order described above, unless he thinks either that it is not reasonably practicable to achieve the primary objective, or that the second objective would achieve a better result for the company’s creditors as a whole. Therefore, the administrator cannot pursue the third objective unless he thinks that it is not reasonably practicable to achieve either the primary objective or the second objective and that it will not unnecessarily harm the interests of the creditors of the company as a whole to pursue the third objective.

Broadly speaking, an interim moratorium comes into effect when an application for an administration order (in the case of court appointment) or a notice of intention to appoint an administrator is made. From the time of appointment of an administrator, a full statutory moratorium applies, preventing creditors from taking action against the company, including, among other things, commencing a legal process against the relevant company, winding up the company or enforcing security or repossessing goods in the possession under a hire purchase agreement without the consent of the administrator or permission of the court. Certain creditors of a company in administration may be able to realize their security over that company’s property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a “security financial collateral arrangement” (generally, cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003. The UK Supreme Court has recently handed down a decision in *The United States of America v Nolan* [2015] UKSC 63, which potentially challenges the validity of the Financial Collateral Arrangements (No. 2) Regulations 2003 (the “**Regulations**”). The decision does not mean the Regulations will necessarily be struck down; however, for the time being, it is no longer prudent to rely on the regulations in relation to any financial collateral arrangement to the extent they are boarder in scope that the Directive 2002/47/EC of the European Parliament and of the Council of June 6, 2002 on financial collateral arrangements. The position may change if certain provisions under the Banking Act 2009 are brought into force and used to preserve the Regulations.

Broadly speaking, expenses that qualify as expenses of the administration (and which include, among others, expenses properly incurred by the administrator in performing his functions in the administration and necessary disbursements incurred in the course of the administration) enjoy priority status over the company’s pre-insolvency unsecured debts. In addition, expenses of the administration can be paid out of the realization proceeds of assets subject to a floating charge to the extent the company’s other assets are insufficient to discharge them and, in such a scenario, rank ahead of preferential debts and floating chargees’ claims.

As with a liquidation, as described below, where an administration moves into a liquidation phase, an administrator will generally be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors up to a maximum of £600,000 (and after making full provision for preferential creditors and expenses out of floating charge realizations).

Liquidation

Liquidation is a company dissolution procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the U.K. Insolvency Act. At the end of the liquidation process the company will be dissolved.

Upon liquidation of any English Notes Guarantor, the order of priorities is such that debts due from it to any holders of fixed charges over assets are paid first out of the realization proceeds of assets subject to such fixed charges (subject to the prior payment of the costs of preservation and realization of the fixed charge assets). Where there are floating charges, liquidation expenses (discussed further below), preferential creditors, and unsecured creditors to the extent of the “ring-fenced” fund (discussed further below) may (to the extent the other unsecured assets of the relevant English Notes Guarantor are insufficient to discharge them) be paid out of floating charge realizations in priority to payments to creditors secured by virtue of floating charges. Thereafter, any debts owing to holders of a floating charge would be paid to the extent they are secured by that charge. The categories of preferential debts include certain amounts payable in respect of occupational pension schemes relating to contributions due but unpaid and employee remuneration up to a specified amount. A certain part of the net proceeds of the realization of the assets covered by a floating charge (up to a maximum of £600,000) would be “ring-fenced” and made available pro rata to unsecured creditors. Unsecured debts which are not preferential debts (including any secured debts which cannot be paid from security recoveries) would be paid after the secured liabilities have been met from the relevant secured assets.

The U.K. Insolvency Act broadly states that in a liquidation of a company, where the assets available for payment of its general creditors (excluding any amount ring-fenced for unsecured debts as described above) are not sufficient to meet the liquidation expenses, certain specified liquidation expenses rank ahead of preferential debts and floating chargees’ claims. In the case of litigation expenses, this is subject to rules restricting the application of this provision to certain litigation expenses approved by either the floating chargee and any preferential creditors or by the court.

Consequently, were secured creditors to enforce floating charges, the realisations available to them could potentially be reduced by the amount of any liquidation expenses. If any fixed security is validly created, any claims of creditors holding such fixed security would rank ahead of any such liquidation expenses.

For the holders of the Notes, indirectly benefiting from the guarantees granted by the English Notes Guarantors, the most important consequences of the opening of formal insolvency proceedings in England and Wales against any English Notes Guarantor or other subsidiary subject to the English insolvency regime would be that:

- the appointed insolvency practitioner (such as an administrator or liquidator) would have the right to administer and dispose of assets of such English Notes Guarantor or subsidiary as the representative of the insolvent estate;
- in certain circumstances, an administrator or a liquidator will have powers to challenge the guarantees and security granted by the English Notes Guarantors and any other subsidiaries in England and Wales, and other obligations (including intercompany obligations) of the English Notes Guarantors generally; and
- claims against such English Notes Guarantor or subsidiary in England and Wales may generally only be pursued in accordance with the provisions set forth in the U.K. Insolvency Act and the Insolvency Rules 1986, as amended.

Cross-Border Insolvency

Pursuant to the EC Insolvency Regulation, where a company incorporated under English law has its “center of main interests” in a Member State of the European Union other than England and Wales,

then main insolvency proceedings for that company may, subject to certain limited exceptions, only be opened in the Member State in which its “center of main interests” is located and such proceedings will be subject to the laws of that Member State (see “—*European Union*”). Although there is a rebuttable presumption that the centre of main interests will be in the jurisdiction of a company’s incorporation, this presumption is not conclusive.

Fixed versus floating charges

There are a number of ways in which fixed charge security has an advantage over floating charge security: (a) an administrator appointed to a charging company can convert floating charge assets to cash and use such cash, or use cash subject to a floating charge, to meet certain, statutory administration expenses (which can include the costs of continuing to operate the business of the charging company) while in administration in priority to the claims of the floating charge holder; (b) a fixed charge, even if created after the date of a floating charge, will have priority as against the floating charge over the charged assets; (c) general costs and expenses (including the remuneration of the insolvency officeholders) properly incurred in a winding-up or administration are generally payable out of the assets of the charging company (including, where the unsecured assets are insufficient, the assets that are the subject of the floating charge) in priority to floating charge claims; (d) an administration of a company is entitled to sell assets that are subject to floating charge security without secured creditor’s (or the court’s) consent (although the creditor’s security will attach to the proceeds of sale); (e) there are particular insolvency “clawback” risks in relation to floating charge; and (f) floating charge security is subject to the claims of certain preferential creditors (such as employee, where the floating charge is not a security financial collateral arrangement, salary claims (up to a cap per employee), employee holiday claims and certain unpaid pension contributions) and to ring-fencing for unsecured creditors.

Under English insolvency law, there is a possibility that a court could find that the fixed security interests expressed to be created by a security document could take effect as floating charges because the description given to them as fixed charges is not determinative. Whether fixed security interests will be upheld as fixed rather than floating security interests will depend on, among other things, whether the chargee has the requisite degree of control over the ability of the relevant chargor to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is largely free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

If the fixed security interests are recharacterized as floating security interests, the claims of (i) the unsecured creditors of the relevant chargor in respect of that part of the chargor’s net property which is ring fenced (see explanation about ring fencing above); and (ii) certain statutorily defined preferential creditors of the chargor, may have priority over the rights of the security agent to the proceeds of enforcement of such security. In addition, as mentioned above, the expenses of a liquidation or administration would also rank ahead of the claims of the security agent as floating charge holder.

Foreign Currency

Under English insolvency law any debt of a company payable in a currency other than pounds sterling (such as U.S. dollars in the case of the Notes) must be converted into pounds sterling at the “official exchange rate” prevailing at the date when the company went into liquidation or administration. This provision overrides any agreement between the parties. The “official exchange rate” for these purposes is the middle market rate in the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event that an English Notes Guarantor goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date that such English company went into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled from that English Notes Guarantor.

Enforcement of Guarantees

The grant of a guarantee or security by any of the English obligors in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company’s memorandum and articles of association. To the extent

that the above do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an English company in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each English obligor in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the relevant English obligor for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Challenges to Guarantees and Security

There are circumstances under English insolvency law in which the granting by an English company of guarantees and security can be challenged. In most cases this will only arise if an administrator or liquidator is appointed to the company within a specified period (as set forth in more detail below) of the granting of the guarantee and, in addition, the company was "unable to pay its debts" when the guarantee was granted or became "unable to pay its debts" as a result.

A company will be "unable to pay its debts" if the test described in the opening paragraphs of this section is satisfied.

If the guarantee or security granted by, or other obligations of, an English Notes Guarantor are challenged under the laws of England and Wales, and the court makes certain findings (as described further below), it may be permitted to:

- avoid or invalidate all or a portion of an English Notes Guarantor's obligations under the guarantee or security provided by such English Notes Guarantor;
- direct that the holders of the Notes return any amounts paid by an English Notes Guarantor under a guarantee or security to the relevant English Notes Guarantor or to a fund for the benefit of the English Notes Guarantor's creditors; and/or
- take other action that is detrimental to the holders of the Notes.

The following potential grounds for challenge may apply to the Guarantees and the security provided by the English Notes Guarantors (and they generally apply equally to other transactions entered into by the English Notes Guarantors):

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside a guarantee or security granted by the company (or give other relief) on the grounds that the creation of such guarantee or security constituted a transaction at an undervalue. The grant of a guarantee or security will only be a transaction at an undervalue if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. For a challenge to be made, the guarantee or security must generally be granted within a period of two years ending with the onset of insolvency (as defined in section 240 of the U.K. Insolvency Act). The onset of insolvency depends on the insolvency procedure in question and is the date of the appointment of an administrator or presentation of an administration application, filing of notice of intention to appoint an administrator or presentation of a winding up petition or passing of a resolution for winding up in a creditors' voluntary liquidation. In addition the company must be "unable to pay its debts" when it grants the guarantee or become "unable to pay its debts" as a result. A court will not generally make an order in respect of a transaction at an undervalue if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company. Subject to this, if the court determines that the transaction was a transaction at an undervalue the court can make such order as it thinks fit to restore the position to what it would have been if the transaction had not been entered into (which could include reducing payments under the guarantees or setting aside the guarantees or any security granted). In any challenge proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts unless a beneficiary of the transaction was a "connected person" (as defined in the U.K. Insolvency Act), in which case there is a presumption the company was unable to pay its debts and the connected person must demonstrate the company was in fact solvent.

Preference

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside a guarantee or security granted by such company (or give other relief) on the grounds that such guarantee or security constituted a preference. The grant of a guarantee or security is a preference if it has the effect of placing an existing creditor (or a surety or guarantor of the company) in a better position in the event of the company's insolvent liquidation than if the guarantee or security had not been granted. The company must have been unable to pay its debts at the time of the transaction or become so unable as a result of the transaction. For a challenge to be made, the decision to enter into the transaction must be made within the period of six months ending with the onset of insolvency (as defined in section 240 of the U.K. Insolvency Act) (if the beneficiary of the guarantee is not a connected person) or two years (if the beneficiary is a connected person). A court is unlikely to make an order in respect of a preference unless it is satisfied the company was influenced in deciding to enter into the relevant transaction by a desire to produce the "better position" for the relevant person. Case law suggests there must be a desire to prefer one creditor over another and not just other commercial motives even if they had the inevitable result of producing the better position. Subject to this, if the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the position to what it would have been if that preference had not been given (which could include reducing payments under the guarantees, or setting aside the guarantees or security). In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a rebuttable presumption that the company was influenced by a desire to produce the preferential effect.

Transaction Defrauding Creditors

Under English insolvency law, a liquidator or an administrator of a company, or a person who is a victim of the relevant transaction could apply to the court for an order to set aside a guarantee or security on the grounds the guarantee or security (as relevant) was a transaction defrauding creditors.

A transaction will constitute a transaction defrauding creditors if it is a transaction at an undervalue and the court is satisfied the substantial purpose of a party to the transaction was to put assets beyond the reach of actual or potential claimants against it or to prejudice the interest of such persons in relation to their claim.

If the court determines the transaction was a transaction defrauding creditors it may make such order as it may think fit to restore the position to what it was prior to the transaction or protect the victims of the transaction (including reducing payments under the guarantee, or setting aside the guarantees or security) but there may be protection for a third party transacting with the company in good faith, for value without notice of the relevant circumstances. Any "victim" of the transaction (with the leave of the court if the company is in liquidation or administration) may apply to court under this provision and not just liquidators or administrators and, subject to certain conditions, the UK Financial Conduct Authority and the UK Pensions Regulator. There is no time limit in the English insolvency legislation within which the company must enter insolvency proceedings (although general statutory limitation periods will apply) and the relevant company does not need to be unable to pay its debts at the time of the transaction.

Extortionate Credit Transactions

Under English insolvency law, a liquidator or an administrator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by a company up to three years before the day on which the company entered into administration or went into liquidation. A transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing. If a transaction entered into by a company is found to be an extortionate credit transaction the court can make one or more orders specified in the U.K. Insolvency Act, including an order setting aside the whole or any part of any obligation created by the extortionate credit transaction, an order varying the terms of the extortionate credit transaction or the terms on which any security for the extortionate credit transaction is held, or an order requiring any person to pay to the administrator or liquidator any sums paid to that person, by virtue of the extortionate credit transaction, by the relevant company.

Dispositions after Winding-Up

Any disposition of an English company's property made after a winding-up has commenced is void, unless the court orders otherwise. The compulsory winding-up of a company is deemed to start when a winding-up petition is presented by a creditor against the company, rather than the date that the court makes the winding-up order (if any). However, this restriction will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Arrangements (No. 2) Regulations 2003, will not prevent the enforcement of valid security and will not prevent a close-out netting provision taking effect in accordance with its terms.

Grant of floating charge

Under English insolvency law, if an English company is unable to pay its debts at the time of (or as a result of) granting the floating charge, then such floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge (plus certain interest). The requirement for the English company to be unable to pay its debts at the time of (or as a result of) granting the floating charge does not apply where the floating charge is granted to a connected person. If the floating charge is granted to a connected person then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge (plus certain interest), whether the relevant English company is solvent or insolvent at the time of grant. The transaction can be challenged if the relevant English company enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the relevant English company grants the floating charge. However, if the floating charge qualifies as a "security financial collateral agreement" under the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended), the floating charge will not be subject to challenge as described in this paragraph. An administrator, or a liquidator (as applicable), does not need to apply to court for an order declaring that a floating charge is invalid. Any floating charge created during the relevant time period is automatically invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge (plus certain interest), whether the relevant English company is solvent or insolvent at the time of grant.

Post-petition interest

Any interest accruing under or in respect of amounts due under the guarantees provided by the English Notes Guarantors or any security to which an English Notes Guarantor is a party in respect of any period after the commencement of administration or liquidation proceedings cannot be proved for against an English Notes Guarantor and would only be recoverable by the Noteholders from any surplus remaining after payment of all other debts proved in the proceedings and accrued and unpaid interest up to the date of the commencement of the proceedings. However, such interest may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries.

Equitable share charge

The charges over shares in certain English Notes Guarantors are equitable charges, not legal charges. An equitable charge arises where a chargor transfers the beneficial interest in the shares to the chargee but retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or are otherwise at the discretion of the court.

France

Certain insolvency considerations

One of the guarantors is incorporated under the laws of France (the "**French Guarantor**"). In the event of an insolvency of the French Guarantor, and to the extent that the center of its main interests is deemed to be in France, insolvency proceedings with respect to it would likely be governed by the laws of France, including court-assisted informal proceedings (*mandat ad hoc* or conciliation proceedings) and court-administered insolvency proceedings: safeguard procedure, judicial reorganization or liquidation proceedings (*procédures de sauvegarde, redressement or liquidation judiciaire*).

Certain provisions of insolvency law in France are less favorable to creditors than are the bankruptcy laws of other jurisdictions. In general, French reorganization or liquidation legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights against the French Guarantor.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes.

In addition to insolvency laws discussed below, you could, like any other creditors, be subject to Article 1244-1 of the French Civil Code (*Code civil*).

Pursuant to Article 1244-1 of the French Civil Code, French courts may, in a civil proceeding involving a debtor, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations. In addition, pursuant to Article 1244-1, French courts may decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate which is lower than the contractual rate (but not lower than the legal rate set by an order (*arrêté*) from time to time for each six-month period or that payments made shall first be allocated to repayment of the principal.

Court-administered proceedings may be initiated:

- in the event of safeguard proceedings, upon petition by the debtor only; and
- in the event of judicial reorganization or liquidation, upon petition by the debtor, any creditor or the public prosecutor.

The debtor may file for safeguard proceedings at any time it is facing difficulties that it cannot overcome, as long as it is not in a state of cessation of payments, i.e. unable to pay its debts as they fall due with its immediately available assets, taking into account credit lines and moratoria. It is required to petition for the opening of reorganization proceedings (if recovery is possible) or liquidation proceedings (if recovery is manifestly not possible) within 45 days of the date upon which the cessation of payments occurred. If it fails to do so, its directors and officers are subject to civil liability.

The period from the date of the court decision commencing the proceedings (whether a safeguard or a reorganization) to the date on which the court takes a decision on the outcome of the proceedings is called the observation period and may last up to 18 months.

During the observation period:

- the debtor is prohibited from paying any amount (whether of principal or interest) in respect of debts outstanding prior to the court order, subject to limited exceptions, subject to specified exceptions which essentially cover the set-off of related (*connexes*) debts and payments authorized by the bankruptcy judge to recover assets for which recovery is justified by the continued operation of the business;
- contractual provisions that would accelerate the payment of the debtor's obligations upon the occurrence of certain bankruptcy events are not enforceable;
- accrual of interest is suspended (except in respect of loans providing for a term of at least one year, or contracts providing for a payment which is deferred by at least one year);
- creditors may not pursue any individual legal action against the debtor (or a guarantor of the debtor provided such guarantor is an individual) with respect to any claim arising prior to the court decision commencing the proceedings if the objective of such legal action is:
 - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due);
 - to terminate a contract for non-payment of amounts owed to the creditor; or
 - to enforce the creditor's rights against any assets of the debtor;
- as a general rule, creditors whose debts arose prior to the commencement of bankruptcy proceedings must file a claim with the creditors' representative within two months of the

publication of the court order commencing bankruptcy proceedings. This period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during this period are, except with respect to very limited exceptions, barred from receiving distributions made in connection with the bankruptcy proceedings.

Filing of claim made by a trustee: in a court decision (French Supreme Court, September 13, 2011), a filing of claim made by a trustee appointed under an indenture governed by the laws of New York and being expressly in charge of the filing of any claim arising under the said indenture before a Court has been admitted in the context of safeguard proceedings. In the absence of legal provisions in France recognizing the rights of trustees, the said decision constitutes a landmark case.

At the end of the observation period, if it considers that the company can continue its activity as a going concern, the court will adopt a safeguard or reorganization plan which will entail a restructuring and/or rescheduling of debts and may entail the divestiture of some of the debtor's assets and businesses.

Alternatively, in reorganization proceedings only, the reorganization plan may provide for the sale of the whole of the debtor's business to a third party, through a sale plan (*plan de cession*), which is, in essence, an asset transaction. As a general rule, and subject to certain exceptions, the purchaser of the business does not assume the debtor's liabilities. However, on-going contracts deemed necessary to the continuation of the business are transferred to the purchaser.

During the observation period, in the case of large companies (with more than 150 employees or turnover greater than €20 million), two creditors' committees have to be established:

- one for credit institutions, comprising (i) credit institutions, (ii) assimilated entities (notably defined as any entity that entered into a credit transaction with the debtor, including, to the present date, shareholders' loans) and (iii) any holder of a claim acquired from either such a credit institution, such an assimilated entity or any supplier of goods or services to the debtor;
- and
- one for the debtor's main suppliers, comprising suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers.

If there are any outstanding debt securities in the form of *obligations* within the meaning of Article L. 228-38 of the French Commercial Code (*Code de commerce*) (such as bonds or Notes), a general meeting gathering all holders of such debt securities will be established whether or not there are different issuances and no matter what the applicable law of those obligations is (the "bondholders' general meeting").

These two committees and the bondholders' general meeting will be consulted on the safeguard or reorganization plan drafted by the debtor's management during the observation period. A safeguard or reorganization plan may include debt rescheduling, debt write-offs as well as debt-to-equity swaps in limited liability companies. This plan can provide for a differentiated treatment of creditors within the committees and the bondholders' general meeting if the differences in situation so justify.

In addition, proposals made to the creditors' committees must take into account existing subordination agreements.

The plan must be approved by each of the two creditors' committees and the bondholders' general meeting. Such approval requires the affirmative vote of creditors holding at least two-thirds of the amounts of the claims held by the members of such committee and of the bondholders' general meeting that participated in such vote.

Following approval by the creditors' committees and the bondholders' general meeting, the plan has to be approved (*arrêté*) by the court. Once approved by the relevant court, the safeguard or reorganization plan accepted by the committees and the bondholders' general meeting will be binding on all the members of the committees and all bondholders (including those who voted against the adoption of the plan).

In the event any of the committees or the bondholders' general meeting has refused to give its consent to the plan, the court may not impose debt write-offs, but it has the right to impose unilateral debt deferrals for a maximum period of 10 years, with a maximum 1-year grace period.

Once the grace period expires, the company shall pay an annual installment, the amount of which will be determined in the judgment approving the plan, with no statutory minimum for the first two installments and a minimum 5% of the total liabilities from the third installment. However, debts whose original contractual maturity date falls after the first installment may only be repaid as from the installment following such contractual maturity date.

Pursuant to the banking and financial regulation law no. 2010-1249 dated October 22, 2010 (which came into force on March 1, 2011), a debtor in the course of conciliation proceedings may request commencement of Accelerated Financial Safeguard proceedings. The Accelerated Financial Safeguard procedure has been designed to “fast-track” the restructuring of purely financial difficulties of large companies. The procedure relates only to debt owed to financial institutions and bondholders, which are subjected to an automatic stay and dealt with under the safeguard plan.

The company continues to trade normally while the procedure is pending. Other classes of creditors, such as trade creditors, are not affected by the procedure.

In reorganization and liquidation proceedings (as opposed to safeguard proceedings), French courts may order that the date on which the company became unable to pay its debts as they came due be deemed to be an earlier date of up to 18 months prior to the order commencing bankruptcy proceedings (*report de la date de cessation des paiements*). This date marks the beginning of a “suspect period” (*période suspecte*) during which certain transactions that are entered are automatically void or voidable by the court.

Other limitations on the validity and enforceability of guarantees and security:

The granting of guarantees or security interests by companies that are incorporated in France to secure payment obligations under high yield bonds is subject to the provisions of the French Commercial Code and the French Civil Code and the limitations set forth therein.

Where insolvency proceedings or safeguards have been commenced, guarantees, security interests and any other credit support granted by a French company to secure the amounts made available to a debtor could be null and void or reduced if found to be disproportionate to those amounts. As these provisions have come into force recently, it is difficult to predict what a court would consider as being disproportionate credit support; however, it will presumably take into account whether the terms and conditions are customary for the type of transaction considered in light of market practices, and whether they are consistent with the financial capacities of the company.

As a general rule, French stock companies may not advance funds, grant loans or give security with a view to the subscription or purchase of its own shares by a third party (it being generally considered that the prohibition of financial assistance further includes the financing of the acquisition of the shares of parent companies).

Accordingly, it is standard market practice that a guarantee or security interest granted by any French company to secure payment obligations under high yield bonds shall not cover any obligation or liability incurred for the purpose of, directly or indirectly, financing or refinancing the acquisition of, or the subscription for the shares of, the relevant French guarantor/pledgor or any of its direct or indirect parent companies. In addition, the assets of a French company shall not be used in a manner detrimental to its interests; consequently, the granting of upstream or lateral guarantees or security may constitute misuse of corporate assets of the relevant company (whether stock company or civil company). In such context, there is a significant risk that the relevant security interests would be deemed invalid on the grounds that they were granted for illicit consideration. Accordingly, the guarantee or security interest granted by any French company to secure payment obligations under the Notes will be limited under the relevant limitation guarantee provisions as follows:

- the guarantee or security interest may not cover any obligations which, if incurred, would constitute a misuse of corporate assets within the meaning of Article L. 242-6 of the French Commercial Code;
- the guarantee or security interest of any French guarantor/pledgor covering the payment obligations of any company which is not a direct or indirect subsidiary (within the meaning of article L. 233-3 of the French Commercial Code) of such French company will be limited to an amount not exceeding, at the time of the demand of payment under the guarantee or enforcement of the security interest, the aggregate outstanding amount of any inter-company loans (or other

financial support in any form duly documented) made available from time to time to the relevant French guarantor/pledgor) by such company. Indeed, French case law has recognized that certain intra-group transactions can be in the corporate interest of the company, in particular where the following four criteria are fulfilled, it being specified that any payment made by the relevant French guarantor/pledgor in respect of the obligations of such company shall reduce, pro tanto, the outstanding amount in the inter-company loans due by the relevant French guarantor/pledgor under the inter-company loans referred to above:

- the existence of a genuine group of companies where the affiliates have real common economic purposes and policy;
- the transaction is justified in the overall interest of the group;
- the guarantor/pledgor must receive an actual benefit, consideration or advantage from the transaction involving the granting by it of the guarantee/security; and the obligations under the guarantee/security must not exceed the financial capability of the guarantor/pledgor.

However, the security or guarantee granted may be limited or voided under French corporate benefit rules and we cannot be certain as to the standard a court would use to determine the amount of corporate benefit, any limit on such guarantee or security or whether such guarantee or security would be deemed void.

Parallel debt obligations:

It should be noted that although the parallel debt mechanism provided under the Intercreditor Agreement is frequently used in financing documents governed by foreign laws (such as English or German), there is only limited case law and no French law provision or principle expressly recognizing the validity of such mechanism or the obligations created thereunder. Although the French Supreme Court has held, in a decision dated September 13, 2011 rendered in the context of safeguard proceedings opened in France that, subject to certain conditions being met, the parallel debt mechanism governed by the laws of the State of New York was not incompatible with the French law concept of international public policy (*ordre public international*), this decision cannot be considered as a general recognition of the enforceability in France of the rights of a security agent benefiting from a parallel debt obligation and no assurance can be given that such a mechanism will be upheld by other French courts if tested.

Germany

Insolvency

One or more of the Guarantors (the “**German Guarantors**”) are organized under the laws of Germany, have their registered offices in Germany and substantially all of their assets are located in Germany. Consequently, any insolvency proceedings with regard to a German Guarantor is likely to be initiated in Germany and, if the relevant German Guarantor were held to have its center of main interests within the territory of Germany at the time the application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, German insolvency law would most likely govern such proceedings. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions, including, *inter alia*, in respect of priority of creditors’ claims, the ability to obtain post-petition interest as well as security interests and the duration of the insolvency proceedings, and therefore may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within one group of companies, there will be one separate insolvency proceeding for each of the entities if and to the extent there exists a reason for the insolvency on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings (if any) within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and no pooling of claims among the respective entities of a group. The German Federal Ministry of Justice (*Bundesjustizministerium*) has released a draft Bill to Facilitate the Handling of Group Insolvencies

(*Entwurf eines Gesetzes zur Erleichterung der Bewältigung von Konzerninsolvenzen*). It is currently unclear if and when, and whether in its current or modified form, this Bill might be adopted by parliament.

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor in the event of the over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is illiquid, i.e. unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business is predominantly likely (positive *Fortbestehensprognose*). If a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) or any company not having an individual as its personally liable shareholder gets into a situation of illiquidity and/or over-indebtedness, the management of such company and, under certain circumstances, its shareholders are obligated to file for the opening of insolvency proceedings without undue delay, however, at the latest, within three weeks after the mandatory insolvency reason (i.e., illiquidity and/or over-indebtedness), occurred. Noncompliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payment obligations, but will presumably not be able to continue to do so at some point in time within a certain prognosis period. However, only management of the debtor, but not the creditors, is entitled (but not obliged) to file for the opening of insolvency proceedings in case of imminent illiquidity.

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. In addition, the court will also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for the appointment of a preliminary custodian (*vorläufiger Sachwalter*) in preparation of a debtor-in possession proceeding (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a preliminary custodian—with this petition not being obviously futile. Depending on the size of the debtor's business operations, the insolvency court must or may appoint a preliminary creditors' committee (*vorläufiger Gläubigerausschuss*) to form a view on the profile of the officeholder to be appointed or even to make a suggestion for a particular individual to be appointed by the court. In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible; i.e., incompetent and/or not disinterested). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it shall comprise a representative of the secured creditors, one for the large and one for the small creditors as well as one for the employees. The duty of the preliminary insolvency administrator is, in particular, to safeguard and to preserve the debtor's assets (which includes the continuation of the business carried out by the debtor) and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. Additionally, the duty of the preliminary insolvency administrator is to verify the existence of reason for insolvency. The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, particularly if there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties, such as creditors, advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, an insolvency administrator (usually the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court unless a debtor-in-possession proceeding (*Eigenverwaltung*) is ordered. In the absence of a debtor-in-possession proceeding, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator upon the occasion of the first

creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by heads and amount of insolvency claims) has voted in favor of the proposed individual to become insolvency administrator and (ii) the proposed individual being eligible as officeholder (i.e., he or she is sufficiently qualified, business-experienced and impartial). The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the estate (*Masseforderung*) which are preferred to any insolvency claim of an unsecured creditor (with the residual claim of a secured insolvency creditor remaining after realization of the available collateral (if any) also qualifying as unsecured insolvency claim).

All creditors, whether secured or unsecured (unless they have a right to separate an asset from the insolvency estate (*Aussonderungsrecht*)), wishing to assert claims against the insolvent debtor need to participate in the insolvency proceedings by filing their claims with the insolvency administrator. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Absonderungsrechte*). Depending on the legal nature of the security interest, entitlement to enforce such security is either vested with the secured creditor or the insolvency administrator. In this context, it should be noted that the insolvency administrator generally has the sole right to realize any movable assets in his, her or the debtor's possession that are subject to preferential rights (e.g., liens over movable assets (*Mobiliarsicherungsrechte*), or security transfer of title (*Sicherungsübereignung*)) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). In the absence of authoritative case law, it is uncertain whether in an insolvency of the entity holding the pledged shares the secured creditors are entitled to initiate the enforcement process in respect of pledged shares on their own or whether the insolvency administrator has standing to realize the pledges on behalf of and for the benefit of the secured creditors. If the enforcement right is vested with the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% (or more in certain circumstances) of the gross enforcement proceeds plus VAT (if any), are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. With the remaining unencumbered assets of the debtor the insolvency administrator has first to satisfy the preferential creditors of the insolvency estate (*Massegläubiger*) (including the costs of the insolvency proceedings as well as any preferred liabilities incurred by the insolvency estate after the opening of formal insolvency proceedings). Thereafter, all other unsubordinated claims (insolvency claims) (*Insolvenzforderungen*), will be satisfied on a *pro rata* basis if and to the extent there is cash remaining in the insolvent estate (*Insolvenzmasse*) after the security interest and the preferential claims against the estate have been settled and paid in full. Therefore, the proceeds resulting from the realization of the insolvency estate of the debtor may not be sufficient to satisfy unsecured creditors of the German Guarantor or under a guarantee granted by the German Guarantor in full after the secured creditors have been satisfied. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors (*including the unsecured insolvency claims*) have been fully satisfied.

While in ordinary insolvency proceedings the value of the debtor's assets is realized by a piecemeal sale or, as the case may be, by a bulk sale of the debtor's business as a going concern, a different approach aimed at the rehabilitation of the debtor can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court. The insolvency court may order the deemed approval of one or more opposing creditor groups under certain conditions (cram down). The insolvency plan may derogate from the provisions of the Insolvency Code. In particular, it may contain provision regarding the discharge of secured and unsecured creditors, the disposal of the insolvency estate as well as procedure. It may also create, modify, transfer or terminate rights in rem such as property rights or security interests. If the debtor is a corporate entity, the shares or, as the case may be, the membership rights in the debtor can also be included in the insolvency plan, e.g., these can be transferred to third parties, including a transfer to creditors based on a debt-to-equity swap. Thus, an insolvency plan could under certain circumstances provide for provisions regarding the Notes, the Guarantees or the Collateral which are less favorable to

the Noteholders than the provisions of the Insolvency Code, such as the release of the Collateral, the release of obligations under the Notes or the contribution of the Notes in exchange for equity. Under certain conditions, such provisions could be adopted against the votes of the affected Noteholders. Moreover, if the debtor has filed a petition for the opening of insolvency proceedings based on a reason for the insolvency other than illiquidity (i.e., imminent illiquidity or over-indebtedness), combined with a petition to initiate such process based on a debtor-in possession proceeding and can demonstrate that a restructuring of its business is not obviously futile, the court may grant a period of up to three months to draw up an insolvency plan for the debtor business (*Schutzschirmverfahren*). During this period, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court must appoint a preliminary custodian to supervise the process. The debtor is entitled to suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (i.e., he or she is obviously not competent or impartial).

Under the German Insolvency Code, the insolvency administrator or custodian may void (*anfechten*) transactions, performances or other acts that are deemed detrimental to insolvency creditors and which were effected prior to the commencement of formal insolvency proceedings during applicable avoidance periods. Generally, if transactions, performances or other acts are successfully voided by the insolvency administrator or custodian, any amounts or other benefits derived from such challenged transaction, performance or act must be returned to the insolvency estate. The administrator's or custodian's right to avoid transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings.

In the event of insolvency proceedings with respect to the Issuer based on and governed by the insolvency laws of Germany, the payment of any amounts to the noteholders as well as the granting of collateral for or providing credit support for the benefit of the Notes could be subject to potential challenges by an insolvency administrator or custodian under the rules of avoidance as set forth in the German Insolvency Code. In case the validity or enforceability of the Notes or any collateral in favor of the Notes is avoided successfully, you may not be able to recover any amounts under the Notes or the collateral. If payments have already been made under the Notes or collateral, the insolvency administrator or custodian may require that the recipients return the payment to the insolvency estate and you would instead then only have a general unsecured claim under the Notes without preference in insolvency proceedings (unless and to the extent the collateral would not be subject to avoidance in which case such claim would be secured to that extent).

In particular, an act (*Rechtshandlung*) or a legal transaction (which term includes the granting of a guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be voided according to the German Insolvency Code in the following cases:

- any act granting a creditor security or satisfaction for a debt (*Befriedigung*) can be voided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings, if at the time of the transaction the debtor was illiquid (*zahlungsunfähig*), which means such debtor was unable to pay its debt when due and the creditor had knowledge thereof, or (ii) after a petition for the opening of insolvency proceedings has been filed and the creditor had knowledge thereof or of the debtor being illiquid (or knowledge of circumstances which imperatively suggesting such illiquidity or filing);
- any act granting a creditor security or satisfaction for a debt to which such creditor had no right, no right at the respective time or no right as to the respective manner, can be voided if the transaction was effected in the month prior to the filing of a petition for the opening of insolvency proceedings; if the transaction was effected in the second and third month prior to the filing, it can be voided if at the time of the transaction (i) the debtor was illiquid, or (ii) the creditor knew that the transaction would be detrimental to the creditors of the debtor;
- any legal transaction effected by the debtor which is directly detrimental to the creditors of the debtor can be voided if the transaction was effected (i) in the last three months prior to the filing of a petition for the opening of insolvency proceedings against the debtor, if at the time of the legal transaction the debtor was illiquid and the other party to the legal transaction had knowledge thereof or (ii) after a petition for the opening of insolvency proceedings has been filed against the debtor and the other party to the legal transaction had knowledge thereof or of the debtor being illiquid;

- if an act whereby a debtor grants security for a third-party debts is regarded as having been granted gratuitously (*unentgeltlich*); such gratuitous transaction can be voided unless it was effected earlier than four years prior to the filing of a petition for the opening of insolvency proceedings against the debtor;
- any act performed by the debtor during a period of ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after such filing can be voided if the debtor acted with the intent to disadvantage its creditors and the beneficiary of the transaction had knowledge of such intent at the time of the transaction, with such knowledge being presumed if the beneficiary knew that the debtor was at least imminent illiquid and that the transaction disadvantaged the other creditors;
- any non-gratuitous contract concluded between the debtor and an affiliated party which directly operates to the detriment of the creditors can be voided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term "affiliated party" includes, subject to certain limitations, members of management or the supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons who are spouses, relatives or members of the household of any of the foregoing persons;
- any act that provides security or satisfaction for a claim of a shareholder for the repayment of a shareholder loan (*Gesellschafterdarlehen*) or an economically equivalent claim can be voided (i) in the event it provided security, if the transaction was effected within the last ten years prior to the filing of a petition for the opening of insolvency proceedings or thereafter or (ii) in the event it provided satisfaction, if the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter; or
- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party can be voided if the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter and if a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder must compensate the debtor for the amounts paid (subject to further conditions)).

For purposes of the above, the knowledge of circumstances from which a compelling conclusion regarding the debtor's illiquidity or regarding the filing of a petition for the opening of insolvency proceedings can be drawn, will be considered tantamount to the actual knowledge of the debtor's illiquidity or of the filing of the petition for the opening of insolvency proceedings.

Apart from the examples of an insolvency administrator or custodian voiding transactions according to the German Insolvency Code described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also void any security right or payment performed under the relevant security right in accordance with the German Law of Avoidance (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract. This may also relate to agreements that are not governed by German law.

Finally, the insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranked with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the

proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offense binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration; and (v) claims for restitution of a shareholder loan or claims resulting from legal transactions corresponding in economic terms to such a loan.

Limitations on the Validity and Enforceability of the Guarantees and the Security Interests

The German Guarantors are incorporated and established in Germany in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung*) (“**GmbH**”), or in the form of a private limited partnership with a limited liability company as general partner (*Kommanditgesellschaft*—“**GmbH & Co. KG**”). Consequently, the Guarantees and security interests granted by the German Guarantors are subject to certain provisions of the German Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*—“*GmbHG*”). These provisions would also apply to any future Guarantor in the form of a GmbH, or in case of a GmbH & Co. KG to its general partner.

Sections 30 and 31 of the GmbHG (“**Sections 30 and 31**”) prohibit a GmbH from disbursing its assets to its shareholders, to the extent that the amount of the GmbH's net assets (i.e., assets minus liabilities and liability reserves) is already less or would fall below the amount of its stated share capital (*Stammkapital*); in case of a GmbH & Co. KG, such provisions apply to the general partner which is a GmbH. The granting of guarantees and security interests by a GmbH or by a GmbH & Co. KG in order to guarantee or secure liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable a GmbH or a GmbH & Co. KG to issue guarantees or grant security interests to secure liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain “limitation language” in relation to subsidiaries in the legal form of a GmbH or GmbH & Co. KG. Pursuant to such limitation language, the beneficiaries of the guarantees and security interests agree, subject to certain exemptions, to enforce the guarantees and security interests against the GmbH or the GmbH & Co. KG only to the extent that such enforcement does not result in the GmbH's, or the KG's general partner that is a GmbH, net assets falling below its stated share capital or, as the case may be, if the net assets are already below the amount of its stated share capital, to cause such amount to be further reduced. Accordingly, the Guarantees and security interests provided by the German Guarantor to secure the Notes will contain such limitation language and therefore the enforcement of the Guarantees and the security interests securing the Notes is limited in the manner described.

In addition to the limitations resulting from the capital maintenance rules under Sections 30 and 31, the Guarantees and security interests granted by the German Guarantor contain additional provisions limiting the enforcement in the event that the enforcement would result in an illiquidity of the German Guarantor in case such illiquidity triggers liability risks for management.

Sections 30 and 31, and the question of potential liability of management in case the enforcement triggers illiquidity, are subject to evolving case law. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of the German Guarantor which can negatively affect the ability of the Issuer to make payments on the Notes, of the German Guarantor to make payments on the Guarantees or the enforcement of the security interests granted by the German Guarantor.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding “destructive interference” (*existenzvernichtender Eingriff*) (i.e., a situation in which a shareholder deprives a GmbH of assets or the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a guarantee or security interest granted by the German Guarantor. In such a case, the amount of proceeds to be realized in an enforcement process may be reduced, even to nil. Moreover, according to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the stressed financial situation of the debtor and anticipates that the debtor will only be able to grant security by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of the Guarantees or security interests by the German Guarantor.

Furthermore, the beneficiary of a transaction qualifying as a repayment of the stated share capital of a GmbH (e.g., the enforcement of a guarantee or security interest granted by such GmbH or GmbH & Co. KG) could moreover become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if, for example, the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee or security interest is close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

Hungary

New Civil Code

A new Hungarian civil code (Act V of 2013; the “**Hungarian Civil Code**”) entered into effect on March 15, 2014 (the “**Effective Date**”), which replaced Act IV of 1959 on the Civil Code (the “**Old Hungarian Civil Code**”) with the effect of the Effective Date and introduced a new civil code re-codifying the entire civil law regime of Hungary, also including some changes to Hungarian law which are or might potentially be relevant in relation to the Note Guarantees and the security interests governed by Hungarian law. As result of such codification the available professional and judicial sources of practice are limited and are currently being developed. This is currently limiting the possibility to assess all the relevant risks of potential limitations on the validity and enforceability of the Note Guarantees and the security interests governed by Hungarian law.

Insolvency

In the event of insolvency (*fizetéseképtelenség*) of a Guarantor organized under the laws of Hungary and/or having its centre of main interests in Hungary (each a “**Hungarian Provider**”), any main insolvency proceedings shall be initiated in Hungary before the county court (*törvényszék*) of competence based on the registered seat of the Hungarian debtor company (the “**debtor**”) as of the date of submission of the insolvency petition. Hungarian law would then govern those proceedings. The insolvency laws of Hungary are potentially limiting the validity and enforceability of Note Guarantees and security interests provided by the Hungarian Provider.

The insolvency proceedings cover two types of proceedings: the bankruptcy (reorganization) proceeding (*csődeljárás*) and the insolvent liquidation proceeding (*felszámolási eljárás*). The bankruptcy proceeding has the aim of reorganizing business associations facing substantial payment difficulties by way of composition with the creditors, and if it is not possible or not wanted, the insolvent liquidation proceeding aims to provide possible satisfaction (payment) to the creditors upon the dissolution and termination of the insolvent debtor without legal successor. The insolvency laws of Hungary are mainly regulated by the provisions of Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings (the “**Hungarian Bankruptcy Act**”). The following is a brief description of certain aspects of the insolvency laws of Hungary.

(1) Bankruptcy (reorganization) proceedings

Under Hungarian insolvency law, a bankruptcy proceeding may be initiated by the debtor at the competent court. Legal representation of the debtor is mandatory during the procedure. The prior consent of the members’ (shareholders’) meeting of the debtor to the initiation of bankruptcy proceeding is required.

Within the framework of the bankruptcy proceeding the debtor receives a payment moratorium (up to 120 days which can be extended) the objective of which is to preserve the debtor’s assets under bankruptcy protection with a view to reaching a composition with creditors, during which period the debtor, the administrator (*vagyongfelügyelő*), the financial institutions maintaining the accounts of the debtor and creditors must refrain from taking any measure contradictory to the objective of the payment moratorium.

During the payment moratorium (i) no claims may be set off against the debtor (save for a claim submitted for the purpose of set-off until the commencement date (opening) of the bankruptcy proceeding in a lawsuit initiated by the debtor), (ii) no payment order can be processed on the accounts of the debtor (save for certain exceptions, e.g. wages, social taxes, utility charges, cost of the

administrator), (iii) no enforcement of payment obligations can be made (save for certain exceptions as set out in item (ii) above), (iv) no satisfaction may be provided in connection with any pledge existing on the debtor's asset and no security interest that existed before the time of the opening of bankruptcy proceedings can be enforced, (v) on the basis of obligations which already existed at the time of the opening of the bankruptcy proceedings, the debtor must not make payments and the creditors must not enforce against the debtor any claims to make such payments, (vi) the debtor may undertake new obligations and make payments only with the approval of the administrator, and (vii) the agreement entered into with the debtor may not be rescinded or cancelled with reference to a payment default during the moratorium or because of the initiation of bankruptcy proceeding by the debtor. As an exception to the above moratorium on the enforcement of security interests, the satisfaction from security deposit (*óvadék*) provided before the opening of bankruptcy proceedings and the application of close-out netting is permitted if either party meets certain requirements as set out in the Hungarian Bankruptcy Act (i.e. if either party is a credit institution, an investment enterprise, an insurance company or certain other regulated entity; provided that such entity has its registered seat in an EEA state or if either party is a public sector body (within the meaning of EC Directive 2002/47 or EU Regulation 575/2013), or the central bank of an EEA state, the European Central Bank or the Bank for International Settlements).

During the term of the moratorium (120 days which can be extended until 365 days from the commencement date of the bankruptcy proceedings) the debtor shall prepare a reorganization plan. If the majority of the creditors as defined in more detail by the Hungarian Bankruptcy Act accepts the reorganization plan and the court approves this as well, a bankruptcy composition arrangement is drawn up by which all creditors will be bound (the "**composition**"). Such a composition may also include, for example, reduction, waiving or re-scheduling of the debtor's debts or debt-to-equity conversion. Therefore, such a composition may, subject to its terms, also result in the limitation or cessation of any or all the Hungarian Provider's obligations under the Note Guarantees or under any security interest granted by the Hungarian Provider in connection with the Notes, the Indenture or the Note Guarantees, and thereby limit the enforceability thereof. Under the Hungarian Bankruptcy Act, should a creditor not duly report its claims in the bankruptcy proceedings to the administrator for purposes of registration within 30 days from the opening of the bankruptcy proceeding, then such creditor (i) is not entitled to vote in relation to the composition and it will not be bound by the composition, (ii) will no longer be entitled to enforce its claims against the debtor, with the exception that in subsequent insolvent liquidation of the debtor initiated by another third party, such creditor will still be entitled to register its claims (and enforce them within the frames of and subject to the rules of the insolvent liquidation proceedings) other than default interests and late payment penalties. In addition, under the Hungarian Civil Code, the obligations of a third party guarantor under the surety (*kezeség*), securing the obligation of the debtor, shall not be affected by the composition approved in the bankruptcy proceedings of the principal debtor, provided that the creditor notified the guarantor about the terms of the composition before it has been accepted. In the absence of such notification the obligations of the guarantor will be limited in accordance with the limitation of the principal debtor's obligation by the composition. Following such notification, the guarantor becomes entitled to perform the principal debtor's obligations. In such case, if the guarantor performed the principal debtor's obligations, then it becomes entitled to act as creditor in the bankruptcy proceedings in place of the obligee.

(2) *Insolvent liquidation proceedings*

Under Hungarian insolvency law, insolvent liquidation proceedings may be initiated (i) upon request by the debtor, the creditor or (during solvent winding-up proceedings) the receiver (*végelszámoló*), or (ii) by the court itself without any further request (*ex officio*): (A) on the basis of a notification by the competent court of registration (e.g., if the court of registration initiated the involuntary termination of the debtor), or (B) on the basis of a notification by the criminal court (if the enforcement procedure for the collection of a fine imposed upon a debtor as legal person has failed), or (C) if the parties did not manage to reach a composition during the bankruptcy proceedings or the composition is not in line with the laws of Hungary. The debtor may request the opening of insolvent liquidation proceedings if it is (i) unable (e.g. creditors' claims existed at the opening of, or arose during, a former bankruptcy proceeding have not been fully satisfied yet), or (ii) unwilling to enter into bankruptcy proceedings.

The insolvent liquidation proceedings are controlled by the competent county court having jurisdiction based on the registered seat of the debtor which monitors the due performance of the

proceedings. The creditor may, simultaneously with the submission of the insolvent liquidation petition or any time before the commencement date of the insolvent liquidation, request the court to appoint a temporary administrator (*ideiglenes vagyonfelügyelő*) as a preliminary protective measure to preserve the assets of the debtor before the court orders the liquidation of the debtor. The court must appoint the temporary administrator without delay if the creditor (i) is able to provide plausible grounds that the satisfaction of its claims at a later date is in jeopardy, (ii) can evidence the existence, the amount and the expiry of its claim in the form of a public deed or a private deed with full probative force, and (iii) has advanced the fee of the temporary administrator. The duty of the temporary administrator is, in particular, to safeguard and to preserve the debtor's assets. Following the temporary administrator taking office, the managing director (management) of the debtor may not, without the consent of and the countersignature of the temporary administrator, take any of the following steps concerning the debtor's assets: entering into any contract considered to be in excess of the scope of normal business operations, or entering into any other commitment, including where the debtor is compelled to performance under an existing contract. Such restrictions may also limit the Hungarian Provider in performing its obligations under the Note Guarantee or any security interest.

The court will, within 60 days of receipt of the petition for the insolvent liquidation proceedings, order the insolvent liquidation of the debtor if it finds that the debtor is insolvent. The court declares that the debtor is insolvent if either (i) the debtor fails to settle or contest its previously uncontested or acknowledged contractual debts within twenty days of the due date and thereafter fails to satisfy such debt upon receipt of the creditor's written payment request, or (ii) the debtor fails to settle its debt within the deadline specified in a final court decision or in an order for payment (*fizetési meghagyás*), or (iii) if the enforcement procedure (to collect the debt) against the debtor was unsuccessful, or (iv) if the debtor did not fulfill its payment obligation as set forth in the composition arrangement concluded either in the bankruptcy or in the insolvent liquidation proceeding, or (v) if the preceding bankruptcy proceedings were terminated because no composition arrangement was reached, or (vi) in the case of liquidation proceedings initiated by the debtor or by the receiver (who acted in solvent winding-up proceedings of the debtor) the debtor's liabilities exceeded the debtor's assets, or the debtor was unable or presumably will not be able to settle its debts on their due dates, and, following due notice, in insolvent liquidation proceedings initiated by the receiver, the members (shareholders) of the debtor fail to provide a statement of commitment to guarantee the funds necessary to cover such debts when due. A petition for insolvent liquidation may not be submitted on the basis of any of the grounds mentioned in points (i) and (ii) above unless the principal amount of the debt exceeds HUF 200,000.

Following the court's order on the opening of insolvent liquidation becoming final and binding, the court orders without delay the publication thereof in the Company Gazette (the date of such publication is the "**commencement date of the insolvent liquidation**"). The commencement date of the insolvent liquidation of the debtor has, amongst others, the following main effects on the debtor and its obligations:

- (a) All debts of the debtor are deemed payable (due) upon the commencement date of the insolvent liquidation.
- (b) Following the court's order on the opening of insolvent liquidation becoming final and binding, the court shall appoint a liquidator (*felszámoló*). Upon the commencement date of the insolvent liquidation, the right to manage and dispose over the business and assets of the debtor passes to the liquidator, who has full administrative authority and right of disposal over the assets of the debtor, and only the liquidator is authorized to make any legal statements in connection with the assets of the debtor.
- (c) All claims against the debtor and all guarantee or security interest provided by the debtor can be enforced only within the framework of and according to the rules applicable to, the insolvent liquidation proceedings. All creditors wishing to assert claims against the debtor need to participate in the insolvent liquidation proceedings.

Hungarian insolvent liquidation proceedings are collective proceedings and creditors may generally no longer pursue their individual claims separately in proceedings other than the insolvent liquidation proceedings and in compliance with the restrictions of the Hungarian Bankruptcy Act. Accordingly, creditors may report their claims in the insolvent liquidation proceedings to the liquidator for purposes of registration within 40 days from the commencement date of the insolvent liquidation. The liquidator also registers the claims against the debtor which are notified after the 40 days' deadline, but within 180 days of the commencement date of the insolvent liquidation (as unprivileged

creditors). These claims of unprivileged creditors will only be satisfied if there are sufficient funds remaining following the settlement of the privileged debts. Claims not reported within the above deadline may not be enforced against the debtor within the insolvent liquidation proceedings.

After the lapse of the period of 40 days following the commencement date of the insolvent liquidation, the creditors and the debtor (represented by the liquidator) may conclude a composition arrangement at any time before the final liquidation balance sheet is submitted to the court by the liquidator. For the negotiations regarding composition arrangement the liquidator shall prepare a program for restoring the solvency of the debtor and a composition proposal (e.g. order for the settlement of debts, rescheduling payments, the ratio and manner of the satisfaction of debts). Such composition arrangement shall be agreed on by the debtor and the majority of creditors (to be calculated as regulated in more detail by the Hungarian Bankruptcy Act). If solvency could be restored through the composition arrangement and it is in conformity with the legal regulations, it shall be approved by the court. Such a composition arrangement is (with certain exceptions) binding on all creditors and, in the light of the above, it may also result in the limitation or cessation of the Hungarian Provider's obligations under the Note Guarantee or under any security interest granted by the Hungarian Provider in connection with the Notes, the Indenture or the Note Guarantee. In addition, under the Hungarian Civil Code, the obligations of a third party guarantor under the surety (*kezesség*), securing the obligation of the debtor, shall not be affected by the composition arrangement approved in the insolvent liquidation of the principal debtor, provided that the creditor notified the guarantor about the terms of the composition arrangement before it has been accepted. In the absence of such notification the obligations of the guarantor will be limited in accordance with the limitation of the principal debtor's obligation by the composition arrangement. Following such notification, the guarantor becomes entitled to perform the principal debtor's obligations. In such case, if the guarantor performed the principal debtor's obligations, then it becomes entitled to act as creditor in the liquidation proceedings in place of the obligee.

Pursuant to the provisions of the Hungarian Bankruptcy Act, the liquidator disposes of the debtor's assets through public sales at the highest available market price. The liquidator commences the sale by way of tender or auction within 100 days from the commencement date of the insolvent liquidation proceedings. The liquidator, the administrator, the temporary administrator, the owner (member, shareholder, founder), the executive officer (*vezető tisztségviselő*), director (*cégvezető*), supervisory board member, auditor, any employee of the liquidator, the administrator, the temporary administrator, their close relatives and companies in which any of the aforementioned have a majority influence (as defined in the Hungarian Civil Code) may not acquire any ownership or any other rights of value (*vagyoni értékű jog*) in the above specified sale procedure. Furthermore, the acquiror may not set-off its claim against the debtor against the purchase price in the public sale procedure (subject to some exceptions).

If the debtor's assets and its proceeds realized by the liquidator during the liquidation proceedings are insufficient to cover all claims of the creditors the claims of the creditors shall be discharged in the ranking order set out in the Hungarian Bankruptcy Act. If a pledged or mortgaged asset of the debtor is sold during the liquidation proceedings, the liquidator shall deduct from the sale price of such asset, the documented costs of the prevention of life and property safety threatening state of the asset upon the order of the competent authority, the costs of safeguarding, preservation and sale of such asset, the costs of managing the company documentation of the debtor (up to a maximum of 1% of the net sale price) and a liquidator's fee being 5% of the net sale price. The remainder of the proceeds from the sale of the pledged or mortgaged asset shall be immediately (i.e. without waiting for the closing of the liquidation process or the sale of any other assets) applied for discharge of the claim (capital, interest, costs) secured by such asset, provided that the pledge or mortgage was established before the commencement date of the insolvent liquidation and the secured creditor duly registered its claim within 40 days from the commencement date of the insolvent liquidation.

As regards assets (including cash held on bank accounts) of a debtor that have been provided by the debtor as a security deposit (including a cash deposit) (*óvadék*) before the commencement date of the insolvent liquidation, the secured creditor may satisfy its claims directly from such security deposit (subject to the terms and conditions of the relevant security documents) and is only obliged to transfer the excess remaining after the satisfaction of its claim to the liquidator. However, should the secured creditor not enforce the security deposit directly within three months of the commencement date of the insolvent liquidation, then such secured party may seek enforcement from the security deposit only within the frames of the liquidation proceedings as if it were a pledgor. In addition, if the security deposit was granted by an entity being under the debtor's majority influence, then such secured

creditor shall handover the security deposit to the liquidator immediately at the commencement date of the insolvent liquidation, and its claims may be satisfied in accordance with the above only if the security deposit was not challenged within the deadline applicable to the below mentioned insolvency challenges (please see the section “Challenges in insolvency” below).

If the pledge or mortgage was granted to any of the debtor’s executive officers, executive employees, their close relative, any company under the debtor’s majority influence or (if the pledge or mortgage was created in a situation threatening with the debtor’s insolvency) any entity having majority influence in the debtor, then the above mentioned preferential treatment is not applicable to such pledge or mortgage. A further exception from the above mentioned preferential treatment of pledges and mortgages is that, following the sale of: (i) assets encumbered by floating charge (which was available to be created under the Old Hungarian Civil Code before March 15, 2014 in relation to the entire assets of the debtor), or (ii) assets pledged by a pledge which is registered into the relevant security interest registry in relation to all assets (except for real estate and other assets registered into special registries) of the debtor in a manner that the pledged assets are defined by way of circumscription of the pledged assets (as opposed to individually specifying the security assets), only 50% of the sales proceeds can solely be applied for discharge of the claim secured by such floating charge or pledge following the deduction of the aforementioned costs of the sale from the sale price. The other 50% of the sales proceeds can be applied for discharge of such secured claims only following the discharge of certain other preferential third party claims, called, collectively, as the costs of liquidation (e.g. certain wages, costs of preservation and sale of the debtor’s assets, costs of compensating environmental damages, certain taxes and the liquidator’s fee). In connection with item (ii) above, the wording of the related provisions of the Hungarian Bankruptcy Act are contradicting to each other and can be interpreted also in a way that the sales proceeds can be applied for discharge of secured claims only following the discharge of the costs of liquidation in relation to all pledges where the pledged assets are defined by way of circumscription of the pledged assets, and not only if the pledge covers all of the assets of the debtor (with the above mentioned exceptions). As these provisions of the Hungarian Bankruptcy Act entered into effect on March 15, 2014, there are still no published court precedents available in relation to the interpretation of these provisions.

Satisfaction of the claims of the unsecured creditors rank only following the claims of secured creditors and other preferred claims as set out in more detail in the Hungarian Bankruptcy Act. Restrictions could also apply to loans received by a (direct or indirect) majority owner of a debtor, whereby such loan is treated by the Hungarian Bankruptcy Act similarly to equity and is will therefore rank as subordinated claim.

Challenges in insolvency

If insolvent liquidation commenced against any Hungarian Provider, the Note Guarantee or any security interest provided by that Hungarian Provider could be subject to potential challenges by the liquidator and/or any creditor of that debtor in accordance with the below summarized provisions of the Hungarian Bankruptcy Act.

The creditor, and on behalf of the debtor, the liquidator may file for legal action before the court within 90 days from obtaining knowledge but within a one-year from the commencement date of the insolvent liquidation to challenge any transactions of the debtor (for example the creation of the guarantee or other security interest) if it qualifies as any of the following:

- (a) contract or the debtor’s other commitment concluded by the debtor within 5 years preceding the date when the court received the petition for opening insolvent liquidation proceedings (or concluded thereafter), as a result of which the debtor’s assets diminished provided that the debtor’s intention was to defraud any one creditor or the creditors, and the other party had or should have had knowledge of such intent (*fraudulent transaction*); or
- (b) contract or the debtor’s other commitment concluded by the debtor within 2 years preceding the date when the court received the petition for opening insolvent liquidation proceedings (or concluded thereafter) to transfer the debtor’s assets without any consideration, or if the stipulated consideration constituted unreasonable and extensive benefits to a third party (*undervalued transaction*); or
- (c) contract or the debtor’s other commitments concluded by the debtor within 90 days preceding the date when the court received the petition for opening insolvent liquidation proceedings (or

concluded thereafter) with the intent to give preference and privileges to any one creditor, such as, amongst others, the amendment of an existing contract to the benefit of a creditor, or to provide security interest to a creditor that did not have any security interest previously (*preferential transactions*).

Furthermore, the liquidator, on behalf of the debtor, is entitled to reclaim within 90 days from the time of obtaining knowledge but within a one-year deadline from the commencement date of the insolvent liquidation, any service the debtor has provided within a period of 60 days preceding the date when the court received the petition for opening insolvent liquidation (or provided thereafter) if it was provided to give preference to any one creditor, and if such service does not qualify as usually provided in the normal course of business. Prepayment of a debt before its due date is, in particular, considered as giving preference or privileges to a creditor. Such transactions may also include the payment of any amounts by a Hungarian Provider under or in connection with the guarantee. In the event such a transaction is successfully challenged, the holder of the Notes who received such payment would be under an obligation to repay the amounts received.

If the debtor enters into an agreement with a company that is under its majority control (as set forth in the Hungarian Civil Code), or with a shareholder or executive officer of such company, or with their relatives, bad faith and/or gratuitous promise shall be presumed in respect of items (a) and (b) above. Furthermore, bad faith and/or gratuitous promise shall also be presumed when a contract is concluded between companies that are not directly or indirectly connected by way of affiliation, but are controlled by the same person or the same company.

Creditors also have the right to challenge transactions on similar grounds referred in paragraph (a) above outside of insolvency in case such transaction was intended to deprive the basis of the satisfaction of the creditor in part or in full (*fedezetelvonó szerződés*) and the other contracting party acted in bad faith or received a gratuitous advantage. A condition for stating a claim is that at the time of the conclusion of the transaction, such other creditor shall have a claim against the respective debtor.

If any of the Note Guarantees or security interest provided by the Hungarian Providers were to be successfully challenged or ordered unenforceable for any reason, a holder of the Notes would cease to have any claim or benefit in respect thereof. Any amounts received from a transaction that was successfully challenged or ordered void would have to be repaid to the Hungarian Provider.

The liquidator may also terminate, with immediate effect, any of the agreements entered into by the debtor, subject to the creditor's right to register and enforce any claim it may have. In addition, the liquidator may rescind any other agreement of the debtor, to the extent any of the contracting parties have not yet performed their obligations.

Parallel Debt

In Hungary, the security interests over the assets of, or the shares (ownership interest) held in, the Hungarian companies that will constitute security interests for the claims of the holders of the Notes under the Notes, the Indentures and under the Note Guarantees, will not be granted directly to the holders of Notes but only in favor of the Security Agent, as beneficiary of parallel debt obligations (the "**Parallel Debt**").

The Parallel Debt is created to address a requirement that the Security Agent, as beneficiary of certain types of security interests, be a creditor in respect of all the claims to be secured by the security interests granted under Hungarian law. The Parallel Debt, to be governed by English law, is arising in the same amount and payable at the same time as the obligations of the Issuer under the Indenture and the Notes (the "**Principal Obligations**"). Any payment in respect of the Principal Obligations shall discharge the corresponding Parallel Debt and any payment in respect of the Parallel Debt shall discharge the corresponding Principal Obligations. Please see below the summary of certain legal consequences and risks connected to such Parallel Debt structure from a Hungarian law perspective.

Under Hungarian law, accessory security interests such as pledges (*zálogjog*) and mortgages require that the obligee of the security interest and the creditor of the primary claim be the same person with certain exceptions. However, the holders of interests in the Notes from time to time will not be party to the Security Documents. Therefore, since the holders of the Notes are not parties to the security interests governed by Hungarian law, the holders of the Notes may not, individually or collectively, take any direct action to enforce any rights under the security interests governed by

Hungarian law. The holders of the Notes may only act to enforce such security interests through the Security Agent, who is holding the security interests as secured creditor and beneficiary of the Parallel Debt.

Although the Security Agent will be able to have, through to the Parallel Debt, a claim against the Issuer for the full principal amount of the Notes, the holders of the Notes bear some risks associated with a possible insolvency or bankruptcy of the Security Agent. The Parallel Debt obligations referred to above are contained in the Intercreditor Agreement, which is governed by English law. In addition to the specific risks described above, there is no assurance generally that such a structure will be effective before Hungarian courts as there is no judicial or other guidance as to its validity and enforceability under Hungarian law, and therefore the ability of the Security Agent to enforce the Hungarian law governed security interests may be restricted.

Jersey

SMR Jersey is incorporated under the laws of Jersey. Consequently, in the event of an insolvency of SMR Jersey, insolvency proceedings may be initiated in Jersey. There are two principal regimes for corporate insolvency in Jersey: *désastre* and creditors' winding up. The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey under the Bankruptcy (*Désastre*) (Jersey) Law 1990, as amended (the "**Jersey Bankruptcy Law**") declaring the property of a debtor to be en *désastre* (a "declaration").

Immediately upon a declaration of en *désastre*, the property and powers of the debtor (excluding property held on trust and certain pension rights) vest automatically in the Viscount, an official of the Royal Court (the "Viscount"). With effect from the date of declaration, a creditor has no remedy against the property or person of the debtor in respect of the debt other than the remedy afforded by any right to prove in respect of the debt in the *désastre*, and may not commence or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the debt.

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a winding-up of an insolvent company, which is known as a "creditors' winding up" pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the "**Jersey Companies Law**"). A creditors' winding up is not possible if the company's property is the subject of a declaration of en *désastre*. On a creditors' winding up a liquidator is appointed, usually by the creditors. The liquidator will administer the winding up, gather assets, make appropriate disposals of assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or proceeded with against the company except with the leave of court and subject to such terms as the Jersey court may impose. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved. The Jersey Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if (inter alia) three quarters in number and value of the creditors acceded to the arrangement.

Transactions at an Undervalue

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law, the Jersey court may, on the application of the Viscount (in the case of a company whose property has been declared en *désastre*) or liquidator (in the case of a creditors' winding up, a procedure which is instigated by shareholders not creditors), make a broad range of orders, including to set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the "other party") at an undervalue. There is a five-year look-back period from the date of commencement of the winding up or declaration of en *désastre* during which transactions are susceptible to examination pursuant to this rule (the "relevant time period"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions on transactions at undervalue, including (without limitation) those that define what constitutes a transaction at an undervalue, the determination of the relevant time period and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

Preferences

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the Jersey court may, on the application of the Viscount (in the case of a company whose property has

been declared en *désastre*) or liquidator (in the case of a creditors' winding up), make a broad range of orders, including to set aside a preference (including any guarantee or security interest) given by the company to any person (the "other party"). There is a 12-month look-back period from the date of commencement of the winding up or declaration of en *désastre* during which transactions are susceptible to examination pursuant to this rule (the "relevant time period"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions on preferences, including (without limitation) those that define what constitutes a preference, the determination of the relevant time period and the effect of entering into a preference with a person connected with the company or with an associate of the company.

Extortionate Credit Transactions

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the Jersey court may, on the application of the Viscount (in the case of a company whose property has been declared en *désastre*) or liquidator (in the case of a creditors' winding up), make a broad range of orders, including to set aside a transaction for, or involving, the provision of credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of en *désastre* during which transactions are susceptible to examination pursuant to this rule. The Jersey Bankruptcy Law and Jersey Companies Law contain further provisions on extortionate credit transactions, including (without limitation) those that define what constitutes a transaction which is extortionate and a presumption that, unless the contrary is proved, a transaction examined under this rule is extortionate.

Disclaimer of Onerous Property

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may within six months following the date of the declaration of en *désastre*, and under Article 171 of the Jersey Companies Law a liquidator may within six months following the commencement of a creditors' winding up, disclaim onerous property of the company. "Onerous property" is defined to include moveable property, a contract lease or other immovable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the "rights, interests and liabilities of the company in or in respect of the property disclaimed" but shall not "except so far as is necessary for the purpose of releasing the company from liability, affect the rights or liabilities of any other person." A person sustaining loss or damage in consequence of such a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and shall have standing as a creditor in the *désastre* proceedings or creditors' winding up. The Jersey Bankruptcy Law and Jersey Companies Law contain further provisions on the detail of this power to disclaim onerous property.

Fraudulent Dispositions

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law (for example, a *Pauline* action) under which dispositions of assets with the intention of defeating creditors' claims may be set aside.

Administrators, Receivers and Statutory and Non-statutory Requests for Assistance

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and the appointment of receivers, administrative receivers and administrators under those Acts is not part of the laws of Jersey. Accordingly, the Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey *situs* assets.

However, under Article 49(1) of the Jersey Bankruptcy Law, the Jersey court may assist the courts of prescribed countries and territories in all matters relating to the insolvency of a person to the extent that the Jersey court thinks fit. These prescribed jurisdictions include the United Kingdom. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law.

If the request comes from a non-prescribed country or territory, then customary law and principles of comity and reciprocity will be considered by the Royal Court of Jersey by virtue of its inherent

jurisdiction. If insolvency proceedings are afoot in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime. If the requesting country adheres to principles of territoriality, as opposed to universality, and, for instance, ring-fences assets for local creditors, full cooperation is highly unlikely. If, however, the jurisdiction applies similar fundamental principles to those applied in Jersey, the Royal Court's approach is more likely to be similar to the position where prescribed countries are involved.

In the case of both statutory and non-statutory requests for assistance, it should not be assumed that the UNCITRAL provisions will automatically be followed. That is a matter for the discretion of the Royal Court.

Jersey does not form part of the European Community for the purposes of implementation of its directives. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of centre of main interests does not apply as a result.

Enforcement of Security and Security in Insolvency

The enforcement of any security interest granted under the Security Interests (Jersey) Law 2012 (which would be the appropriate law under which to take security over Jersey *situs* intangible movable property (e.g. shares)) would need to be in accordance with (and subject to the provisions of) that Law, to the provisions of the relevant security agreement and to all laws relating to bankruptcy, dissolution, insolvency, re-organization, liquidation, moratorium or other laws of general application affecting the rights of creditors generally.

Mexico

One or more of the Guarantors are organized under the laws of Mexico. Procedural steps to enforce liens and guarantees before courts in Mexico depend on the nature of each security interest and guarantees, and on whether the debtor is in insolvency (*concurso mercantil*), or is still in business. In any event, the procedural approach will vary and the type of action will depend on the documentation held by the creditor. In the event of insolvency, insolvency proceedings may, therefore, be initiated in Mexico. Mexican law would then govern those proceedings. The insolvency laws of Mexico may not be as favorable to your interests—or may even preclude your interests as creditors—as the insolvency laws of other jurisdictions, including in respect of priority of creditors, the enforceability of liens, the ability to obtain post-petition interest and the duration of the insolvency proceedings, may limit your ability to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws. Special insolvency proceedings exist for debtors that provide public services under a government concession, financial institutions and credit auxiliary institutions.

The Mexican insolvency law (*Ley de Concursos Mercantiles*) contemplates a single proceeding for reorganization (*mediation*) and bankruptcy (*quiebra*) with two successive stages: the first stage, known as the “mediation” stage, is compulsory (except in the event in which the insolvent entity directly requests to be declared bankrupt) and is designed to reorganize the insolvent entity, and the second stage, known as the “bankruptcy” stage, provides for the bankruptcy and liquidation of the insolvent entity.

In Mexico, a person will be declared insolvent by the competent court when it generally fails to pay its obligations as and when they become due. Insolvency of a person will be adjudicated upon the request of the insolvent entity, the Mexican attorney general's office or any creditor of the insolvent entity when (a) the insolvent entity has defaulted in its payment obligations with two or more creditors, and (b) on the date of such request, (i) defaulted payment obligations for more than 30 days represent 35% or more of the total obligations of the insolvent entity; and/or (ii) the insolvent entity does not have sufficient liquid assets to pay at least 80% of its due and payable obligations on the date of filing of the insolvency request. If the insolvency request is filed voluntarily by the insolvent entity, only one of the conditions described in items (i) and (ii) of clause (b) above would need to be satisfied. If the insolvency request is filed by the attorney general's office or any creditor of the insolvent entity, both conditions described in items (i) and (ii) of section (b) need to be satisfied. An insolvency presumption will exist with respect to any person or entity when, inter alia, its assets for attachment in aid of execution of a judgment or claim are insufficient; it has failed to pay two or more creditors; or it has participated in fraudulent or fictitious acts to avoid payment to creditors.

Upon the filing of a petition for a judgment declaring insolvency, the court will instruct the Federal Institute of Insolvency Specialists (*Instituto Federal de Especialistas de Concursos Mercantiles*) to appoint an inspector (*visitador*) to visit the entity presumed to be insolvent. The inspector will then issue an opinion regarding the commercial entity's insolvency, which will enable the court to issue a judicial resolution declaring the legal insolvency of such person. Following the issuance of such insolvency judgment, the Federal Institute of Insolvency Specialists will designate and appoint a mediator (*conciliador*) who will facilitate the negotiations between the insolvent entity and its creditors in order to reach a creditors' agreement. The issuance of the insolvency judgment and the appointment of the mediator will initiate the "mediation" stage of the insolvency proceeding. The insolvency proceeding in Mexico is at all times court controlled, and upon receipt of an insolvency petition, the insolvency court may take preliminary measures (*providencias precautorias*) to secure the property of the insolvent entity. The interim measures include the possibility for the debtor to obtain judicial approval to take out loans that are essential to maintain the business and/or to have liquid funds. Any loans that are approved will enjoy a preferential payment status. Insolvency proceedings from companies that belong to an integrated corporate group will be joined but handled separately.

During the "mediation" stage, the insolvent entity and those creditors that have been recognized within the insolvency proceeding as creditors of the insolvent entity would negotiate an agreement with respect to the payment of the outstanding obligations of the insolvent entity. In order for such creditors' agreement to become effective and binding, it must be entered into between the insolvent entity and those recognized creditors holding title to more than 50% of the sum of (i) the amount of all unsecured claims of all unsecured recognized creditors of the insolvent entity, and (ii) the amount of all secured claims of those secured recognized creditors that enter into such creditors' agreement. The creditors' agreement would then have to be approved by the insolvency court. A secured claim under the Mexican insolvency law is considered to be a claim secured under a pledge or a mortgage under the Mexican provisions. The vote of affiliates, controlling companies or controlled companies with respect to the approval of the creditors' agreement is restricted. When subordinated creditors represent 25 percent of the total amount of the recognized creditors, then the creditors' agreement will only be approved when creditors representing 50% of the total amount of recognized claims minus the subordinated claims, voted in favor of the agreement.

Under the Mexican insolvency statute, the creditors' agreement would be deemed entered into by an unsecured recognized creditor (whether or not such creditor actually enters into the agreement) if the agreement expressly contemplates (a) the payment of all amounts due and payable to such creditor on the date of the respective insolvency judgment converted to Unidades de Inversion, (b) the payment of all amounts that would become due and payable to such creditor from the date of the insolvency judgment until the date of approval of the creditors' agreement by the insolvency court, which would be converted into Unidades de Inversion on the date such amounts become due and payable and (c) the payment of all amounts that would become due and payable to such creditor after the date of approval of the creditors' agreement.

The creditors' agreement could also provide, with respect to any unsecured recognized creditors that are not a party to such agreement, (i) a stay of such creditors' claim (with capitalization of ordinary interest), but only to the extent that the term of such stay is at least equal to the shortest stay assumed by those unsecured creditors that are a party to the creditors' agreement and whose claims amount to 30% of all aggregate recognized claims; (ii) a write-off of such creditors' claim, but only to the extent such write-off is at least equal to the lowest write-off assumed by those unsecured creditors that are a party to the creditors' agreement whose claims amount to 30% of all aggregate recognized claims; or (iii) a combination of a stay and a write-off of such creditors' claim, to the extent it is identical to the combinations accepted by those unsecured creditors that are a party to the creditors' agreement whose claims amount to 30% of all aggregate recognized claims.

Secured recognized creditors that do not become a party to the creditors' agreement may commence or continue foreclosure of their respective collateral; unless the creditors' agreement contemplates the payment of their respective claims or the payment of the price of the properties constituting such collateral. In this case, any excess with respect to the value of such properties would be deemed an unsecured claim for purposes of the insolvency proceeding.

At the request of the insolvent entity, if the "mediation stage" expires without the filing of an approved creditors' agreement before the insolvency court or at the request of the mediator, the insolvency court would be required to issue a judgment declaring the bankruptcy of the insolvent

entity. The mediation stage may only last 185 calendar days with a sole extension for 90 days if certain requirements are met.

Upon such declaration of bankruptcy, the insolvency court will instruct the Federal Institute of Insolvency Specialists (*Instituto Federal de Especialistas de Concursos Mercantiles*) to appoint a receiver (*sindico*) who would be charged with the management of the insolvent entity until its liquidation. The receiver would carry out the liquidation of the insolvent entity through the sale of its assets, in accordance with certain preset rules and conditions. The proceeds obtained from the liquidation of the assets of the insolvent entity would be applied by the receiver to make payments to creditors in the following order of priority which excludes the following categories:

- *first*, payments of creditors with claims against the estate of the debtor that will be paid before any other claims. These include liabilities: a) for wages for the two years preceding the debtor's insolvency declaration; b) incurred by the debtor with the approval of the mediator to manage the estate or maintain the ordinary operation of the entity; c) incurred to attend to the regular expenses for the protection of the properties of the estate, their repair, preservation and management; d) resulting from judicial or extrajudicial proceedings in benefit of the Estate;
- *second*, payments of litigation costs and expenses, and fees and expenses of the inspector, the mediator and any appointed receivers;
- *third*, payments to secured creditors (including the costs and expenses relating to foreclosure and the enforcement of their respective rights), but only to the extent of the value of their respective collateral;
- *fourth*, payments of other labor claims and tax claims;
- *fifth*, payments to other creditors that qualify as "privileged" under Mexican commercial laws (e.g., creditors that are entitled to retain an asset until payment is made), but only to the extent of the value of the respective privilege;
- *sixth*, payments to unsecured creditors; and
- *seventh*, subordinated creditors, i.e., creditors which agreed to the subordination of their claims to the common creditors and creditors which are: a) controlled companies; b) the manager of the debtor or members of its Board of Directors, or their relatives; c) legal entities whose managers, members of the Board of Directors or senior officers are the same as those of the debtor; or d) legal entities controlled by the debtor and which have the control of the debtor, or which are controlled by the same company that controls the debtor.

Generally, the issuance of an insolvency judgment may affect the enforceability of the Guarantees granted by the Mexican Guarantors and the security interests provided by such Mexican Guarantors. On the date of an insolvency judgment issued against any of the Mexican Guarantors, the obligations of such Mexican Guarantor under the Notes (i) would be converted into Mexican pesos at the exchange rate prevailing at the time of the insolvency judgment and then from Mexican pesos into Unidades de Inversion, a Mexican inflation-pegged accounting unit, and would not be adjusted to take into account any devaluation of the Mexican peso relative to the U.S. dollar occurring after such conversion; (ii) would be subject to the outcome of, and priorities recognized in, the Mexican insolvency law; (iii) would cease to accrue interest from the date a reorganization proceeding is declared; and (iv) would be subject to certain statutory preferences, including tax, social security and labor claims and claims of secured creditors.

Under Mexican law, the Guarantees provide a basis for a direct claim against any Mexican Guarantors; however, it is possible that the Guarantees may not be enforceable under the Mexican insolvency law. While Mexican law does not prohibit the giving of Guarantees and as a result does not prevent the Guarantees of the Notes from being valid, binding and enforceable against any Mexican Guarantors, in the event that a Mexican Guarantor becomes subject to an insolvency proceeding, the relevant Guarantee may be deemed to have been a fraudulent transfer and declared void. Under the Mexican insolvency law, any action consummated by a Mexican Guarantor prior to the date of an insolvency judgment will be deemed fraudulent when the Mexican Guarantor is knowingly defrauding its creditors, and the third party participating in any such action had actual knowledge of such fraudulent intent. If the action is gratuitous, the action will be deemed fraudulent even if the third party had no actual knowledge of the fraudulent intent. Any action consummated by a Mexican Guarantor at

any time after the date that is 270 calendar days (which term may be extended by the judge) prior to the date of the applicable insolvency judgment (i) will be deemed fraudulent when, *inter alia*, (a) the Mexican Guarantor receives no consideration, or the consideration received or paid by the Mexican Guarantor, or the terms and conditions of the transaction, are clearly or materially below market, or (b) the Mexican Guarantor makes a payment of indebtedness not yet due, or forgives receivables owed to it and (ii) will be presumed fraudulent, unless the interested third party proves that it was acting in good faith, when (a) the Mexican Guarantor grants or increases collateral that was not originally contemplated and (b) the Mexican Guarantor makes any payments in kind that were not originally contemplated. In addition, certain transactions among related parties will also be deemed fraudulent and may be set aside by the insolvency court. In Mexico, the obligations of the Mexican Guarantors would be considered to be ancillary obligations (*obligaciones accesorias*) to the principal obligations that they secure. If the principal obligations were to be declared null and void by the insolvency court, the ancillary obligations would also be considered to be null and void.

Spain

SMP Iberica Automotive Technology, S.L.U. (the “**Spanish Guarantor**”) is incorporated under the laws of Spain. The validity, enforceability and effectiveness of the documents entered into by the Spanish Guarantor or its shareholders may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors’ rights generally.

A principal insolvency proceeding may be initiated under the Spanish Act 22/2003 of July 9, 2003 on Insolvency Proceedings (*Ley 22/2009, de 9 de Julio, Concursal*) (the “**Spanish Insolvency Law**”), as amended, restated or substituted from time to time, in respect of any company which is in an actual or imminent insolvency state, and provided that that company has its centre of main interest in Spain.

Under the Spanish Insolvency Law, a debtor (that the Spanish Guarantor could become) is insolvent when it becomes unable to regularly meet its obligations as they become due (actual insolvency) or when it expects that it will shortly be unable to do so (imminent insolvency). A petition for insolvency may be initiated by: (i) the debtor (in case of an actual or an imminent insolvency); or (ii) the creditors (subject to certain limited exceptions) or certain other interested third parties (only in case of an actual insolvency).

Under Section 2.4 of the Spanish Insolvency Law, a creditor may apply for a declaration of insolvency if, *inter alia*: (i) there is a generalized default on payments by the debtor; (ii) there is a seizure of assets affecting or comprising the generality of the debtor’s assets; (iii) there is a misplacement (*alzamiento*) or ruinous liquidation of the debtor’s assets; or (iv) there is a generalized default on certain tax, social security and employment obligations during the three immediately preceding months.

A debtor is also subject to the obligation to file a petition for insolvency within two months after it becomes aware, or should have become aware, of its state of actual insolvency, although this obligation may be subject to certain limited exceptions if the debtor notifies the court that it has started negotiations to reach a refinancing agreement or accessions to an anticipated proposal of creditors’ composition (*propuesta anticipada de convenio*).

The Spanish Insolvency Law provides that insolvency proceedings conclude following either the implementation of an agreement between the creditors and the debtor or the liquidation of the debtor.

Summary of certain effects of a declaration of insolvency

Effects on the management of the business of the debtor

As a general rule, subject to certain exceptions, the debtor in a voluntary insolvency (i.e. an insolvency started at the request of the debtor) retains its powers to manage and dispose of its business, but is subject to the intervention control of the insolvency administrators (*administración concursal*). In the case of mandatory insolvency (i.e. an insolvency started at the request of creditors), as a general rule and subject to certain exceptions, the debtor no longer has power over its assets, and management powers (including the power to dispose of assets) are conferred solely upon the insolvency administrators as a general rule, subject to certain exceptions.

Summary of other effects

In addition, but not exclusively, the following provisions of the Spanish Insolvency Law should be taken into consideration:

- (a) Articles 55 and 56 of the Spanish Insolvency Law (i) prevent new specific enforcement proceedings (*ejecuciones singulares*), including those proceedings carried outside a Court, to be started against a debtor that has been declared insolvent (except in the cases provided in such articles); and (ii) state that enforcement proceedings that have started before the declaration of insolvency shall be suspended. As a general rule, insolvency proceedings are not compatible with other enforcement proceedings.
- (b) Article 61 of the Spanish Insolvency Law states that the declaration of insolvency shall not affect the validity of any agreement with bilateral/reciprocal pending obligations by the insolvent party and the other party. However, the administrator (*administración concursal*) or the insolvent party (as the case may be, depending on the limitations as to the capacity of the insolvent party imposed by the judge) may apply for termination of any agreement if it considers termination to be beneficial to the insolvency proceedings. Clauses that state the faculty of one party to terminate an agreement on the sole basis of the declaration of insolvency will be deemed void.
- (c) Article 71 of the Spanish Insolvency Law provides that those actions that cause a detriment to the assets of the insolvency estate carried out during the two years preceding the date of declaration of insolvency may be rescinded. This detriment is:
 - (i) presumed *iuris et de iure* (i.e. it cannot be rebutted) in the following cases:
 - payments or other similar actions aimed to discharge obligations the maturity of which fall after the declaration of insolvency (except where such obligations are secured by an *in-rem* right, in which case the rule established in the next paragraph will apply).
 - disposals without consideration (except for certain limited exceptions);
 - (ii) presumed *iuris tantum* (i.e. it can be rebutted) in the following cases:
 - disposals a *título oneroso* (with consideration) made with any person related to the insolvent company (please see paragraph (d)(iv) below);
 - the creation of security interest as security of pre-existing obligations, or as security of new obligations entered into in substitution of pre-existing obligations (including obligations entered to refinance pre-existing obligations);
 - payments or other actions discharging obligations secured with *garantías reales* (*in-rem* security) the maturity of which fall after the declaration of insolvency. The legal actions available under article 71 of the Spanish Insolvency Law are additional to other rescission actions available under Spanish Civil law that may apply to the Transaction Documents as defined in the Existing Revolving Credit Facilities.
 - (iii) Article 92 of the Spanish Insolvency Law provides that, among others, the following shall be qualified as subordinated credits:
 - the credits that, being notified by the creditor with delay, have been included by the administrators (*administración concursal*) and those credits that, not being notified properly, have been included by the Insolvency Court when resolving against any action challenging the list of creditors;
 - interest (including defaulting interest), except interest accruing on credit secured with a security interest up to the amount secured by such security interest;
 - credit arising from certain contracts with bilateral obligations (including financing agreements) when the Insolvency Court considers, after the report of the administrators (*administración concursal*), that the relevant creditor repeatedly hinders the fulfillment of the contract damaging the interest of the insolvent company; and

- credits held by creditors related to the insolvent debtor. Among other situations, a creditor is deemed to be related to a debtor if: (a) the creditor holds, at the time the credit rights arise, 5% of the share capital of the debtor (if the debtor is a listed company) or 10% (otherwise); (b) the creditor is the *de iure* or *de facto* director (*administrador*) of the debtor, or it has been a *de iure* or *de facto* director of the debtor during the two immediately preceding years; and (c) if the creditor and the debtor are part of the same group of companies or the common shareholders of the same (if, in this last case, they also fulfill the condition described in (a)). Subordinated creditors do not vote on the composition and in the event of liquidation receive payment according to the ranking established in the Spanish Insolvency Law (once ordinary creditors have been paid in full).

Penalty clauses

Where the Transaction Documents or any other document related to the transaction have provided for a penalty (*cláusula penal*) (within the meaning of articles 1,152 et seq. of the Spanish Civil Code), the penalty will substitute the damages and interest derived from any infringement of such agreements, unless otherwise expressly agreed. The non-infringing party cannot request the performance of the agreement and the payment of the penalty, unless otherwise expressly agreed.

A Spanish court might reduce the amount of a penalty on an equitable basis provided that the infringing party has partially fulfilled its obligations. Furthermore, Spanish law does not expressly recognize the concept of indemnities and it cannot be assured that they will be recognized as valid by a Spanish court.

The validity of the Security under Spanish Law in case of bankruptcy procedure opening

In accordance with Spanish Insolvency Law, a court declaration of bankruptcy suspends the enforcement of any guaranty for one year from the moment of such declaration. It means that, even a loan secured by a real estate right, a guarantee cannot be enforced until one year after the declaration of bankruptcy. After this one-year period, the Commercial Court could be requested by creditors, even in case insolvency proceeding are already developing, to execute the guarantees in order to take possession of the assets/shares given as a security for the loan.

During the year when securities enforcement is suspended, of course nobody is entitled to transfer the shares without the authorization of the creditor (unless the debtor under insolvency administration is able to pay the total amount of the secure loan)

The validity of the security is linked to the validity of the secured obligation

Notwithstanding any provision in any Transaction Documents governed by Spanish law, guarantees and security interests granted by the Spanish Guarantors may be deemed null and void under Spanish law in the event that all or part of the obligations under the secured loan are null or void. Any amendment, supplement, waiver, repayment, novation or extinction of the obligations under the loan agreement may affect the validity and enforceability of Spanish law governing the security.

The Spanish Guarantors' Security Documents governed by Spanish law may not be enforceable in the event of substitution of asset

The Spanish Guarantors' Security Documents governed by Spanish law may not be enforceable in the event that the assets attached thereto are substituted by other assets or are sold by the any of the Spanish Guarantors to a bona fide third party, unless a new valid and binding security interest is created and accepted by the relevant parties or the existing security interest is ratified by the relevant parties. Extension of the Spanish Guarantor Security Documents governed by Spanish law to new assets may require further documentation.

The creation of a Spanish Guarantor real estate right (pledge, mortgages that affect Real Estate) requires the prior registration of the relevant guarantee with the land registry, and will be therefore subject to revision by the relevant registrar. Although each of the Spanish Guarantors has undertaken to use its best efforts to register the guarantees as soon as possible, it cannot be assured that the security will be registered. If any of the securities is not registered, a Spanish Guarantor will not be able to create a real estate right, nor will the banks be able to request such creation. In addition, the

creation of a Spanish Guarantor's securities will be subject in turn to registration and therefore to the review of the relevant registrar. Spanish registrars are highly qualified law officers who will only accept registration of a document if they are satisfied that the document complies with mandatory Spanish law. This process may result in significant notarial and registration costs, as well as stamp duty and/or other taxes (as provided by the law in place at the time of creation of the right).

Once created, a Spanish Guarantor's security will be limited to the maximum secured amount established therein.

Enforcement of creditor rights

Each of the Spanish Guarantors is organized under the laws of Spain and all of their assets are located in Spain except for shares held in certain Mexican and Brazilian subsidiaries. The Spanish Guarantors' directors, officers and other executives are neither residents nor citizens of the United States or the United Kingdom as of the date of this offering memorandum. Furthermore, all of the Spanish Guarantors' assets are located outside the United States and the United Kingdom.

As a result, the possibility of the holder of the Notes to file a suit abroad or to commence any proceedings against a Spanish Guarantor or require foreign courts to issue court decisions against a Spanish Guarantor or fulfill decisions issued by such courts that are based on the provisions of foreign legal regulations may be limited.

The Kingdom of Spain, being a member of the European Union, also applies the regime envisaged under the Council Regulation (EC) 1215/2012 of December 12, 2012 on the jurisdiction and the recognition and enforcement of judgments in civil and commercial matters. For judgment issued by a Court of a member state of the European Union, the Spanish Courts directly apply the procedure provided by the Council Regulation. The first stage of the procedure, by which a declaration of enforceability is sought, can commence by an application that can be filed without notice to the other side (*ex parte*); however, the declaration of enforceability shall be served on the party against whom enforcement is sought, which shall have a right to appeal it before the applicable Court. Other than protective measures, no measures of enforcement against the property of the party against whom enforcement is sought may be commenced before an appeal against the declaration of enforceability has been determined.

If recognition of a foreign judgment in the Kingdom of Spain is sought by reason of an International Treaty providing for recognition of foreign court judgments or arbitral awards, the applicable International Treaty and/or Spanish Law shall govern the procedure for non-EU member states (article 523 and subsequent of Spanish Civil Procedural Act).

LISTING AND GENERAL INFORMATION

1. Application has been made for the Notes to be listed on the Irish Stock Exchange.
2. So long as the Notes are listed on the Irish Stock Exchange and the rules of such exchange shall so require, (i) copies of our articles of association and those of the Guarantors and the Indenture will be available in physical format free of charge at the specified office of the Paying Agent in London referred to in paragraph 7 below and (ii) copies of all of our annual and interim Financial Statements and those for all subsequent fiscal periods will be available in physical format free of charge during normal business hours on any weekday at the offices of our Paying Agent in London referred to in paragraph 5 below.
3. We accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.
4. There has been no significant change in the financial or trading position of the Issuer and there has been no material adverse change in the prospects of the Issuer or in the financial or trading position of the Group since March 31, 2016, the date of its last published audited financial statements.
5. The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of its obligations under the Notes.
6. Except as it may otherwise be indicated in this Offering Memorandum, the Issuer has not been involved in any litigation, governmental or arbitration proceedings (and no such proceedings are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Offering Memorandum which may have, or have had in the recent past, a significant effect on its financial position.
7. We will have appointed Deutsche Bank AG, London Branch as our Paying Agent in London. We reserve the right to vary such appointment and shall publish notice of such change of appointment in a newspaper having general circulation in Ireland (which is expected to be the *Irish Times*) or the Irish Stock Exchange website (*www.ise.ie*). Information on the Irish Stock Exchange website does not form part of this Offering Memorandum. The Paying Agent in London will act as intermediary between the holders of the Notes and us so long as the Notes are listed on the Irish Stock Exchange.
8. The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The Global Notes have a Common Code of 142846888. The Global Notes have an ISIN of XS1428468885.
9. The Issuer is incorporated as a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) under the laws of the Netherlands with registered number 53709713. Both its registered office and its principal place of business are located at Hoogoorddreef 15, 1101 BA Amsterdam, the Netherlands, and its telephone number is +31 20 7944 580. The business address of the directors of the Issuer is the registered address of the Issuer.
10. For the avoidance of doubt, Combined Financial Statements and Consolidated Financial Statements include the financial information of the consolidated Group, including both Guarantor and non-guarantor companies. The Issuer represented nil, or 0.0%, of our consolidated revenue and €(3.5) million, or (1.2)%, of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held €16.4 million, or 1.6%, of our consolidated Total Net Assets as of March 31, 2016.

Excluding the Restricted Jurisdiction Non-Guarantors, the Issuer and the Guarantors, on a combined basis, represented €3,235.7 million, or 96.6%, of our revenue and €234.4 million, or 97.8%, of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held €745.4 million, or 97.1%, of our consolidated Total Net Assets as of March 31, 2016.

Excluding the Restricted Jurisdiction Non-Guarantors, the Non-Guarantors, on a combined basis, represented €114.6 million, or 3.4%, of our revenue and €5.3 million, or 2.2%, of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held €22.6 million, or 2.9%, of our consolidated Total Net Assets as of March 31, 2016.

Including the Restricted Jurisdiction Non-Guarantors, the Issuer and the Guarantors, on a combined basis, represented €3,235.7 million, or 80.6%, of our revenue and €234.4 million, or 80.3%, of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held €745.4 million, or 73.1%, of our consolidated Total Net Assets as of March 31, 2016. Including the Restricted Jurisdiction Non-Guarantors, the Non-Guarantors, on a combined basis, represented €777.0 million, or 19.4%, of our revenue and €57.4 million or 19.7%, of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held €274.4 million, or 26.9%, of our consolidated Total Net Assets as of March 31, 2016.

11. A single guarantor, SMP Deutschland, represents in excess of 20% of the Group's EBITDA and consolidated Total Net Assets. SMP Deutschland represented €1,203.4 million, or 30.0%, of our revenue and €73.6 million, or 25.2%, of our consolidated EBITDA for the fiscal year ended March 31, 2016, and held €306.0 million, or 30.0%, of our consolidated Total Net Assets as of March 31, 2016. SMP Deutschland was incorporated on June 30, 2004 and its registration number is HRB 7436. The address of SMP Deutschland's registered office is Schloßmattenstraße 18, 79268 Bötzingen, Germany. SMP Deutschland is an operating subsidiary of SMP engaged in the supply of interior and exterior components and pre-assembled modules for vehicle interiors and exteriors, with a focus on the light vehicle segment. See "*Our Business—Our Products and Services—Interior and Exterior Modules.*"
12. Upon the accession of each Guarantor to the Indenture, each Guarantee will be a full, unconditional, joint and several guarantee of the Issuer's obligations under the Notes, subject to the limitations discussed in "*Certain Insolvency Law Considerations and Limitations on the Validity and Enforceability of the Guarantees and Security Interests.*"
13. We estimate the expenses relating to the admission of the Notes to the Global Exchange Market of the Irish Stock Exchange to be approximately €15,000.

GLOSSARY

- “Actuator” refers to a motor that controls a mechanism within a module.
- “BSDS” refers to blind spot detection systems, which utilize cameras, sensors and/or mirrors to recognize vehicles in drivers’ blind spots.
- “Bumper” refers to a passive safety element containing energy absorption characteristics integrated into the front and rear exterior fascia which is attached to the front and rear end of a vehicle.
- “Commercial vehicles” refers to full-sized pick-up trucks and other vehicles primarily used for commercial or material transportation and typically weighing in excess of 8,500 pounds GVW.
- “Door panel” refers to the interior door assembly, typically consisting of several electromechanical devices including stereo speakers, driver controls, window regulator and a subassembly for door grab handle.
- “EC Glass” refers to electrochromatic glass, a type of glass commonly used in the production of automatically dimming rear view mirrors that changes light transmission properties under the application of electricity or light.
- “Instrument panel” refers to a major assembly consisting of a structural beam, interior cosmetic features, heating and cooling ducts, instrumentation, driver control and passenger side airbag system housing which together are located in the space in front of the driver behind the steering wheel.
- “Just-in-sequence” refers to a method of manufacturing combining just-in-time inventory management with coordination of the unique option combinations ordered by the OEM and delivery at a precise point in the final assembly process.
- “Just-in-time” refers to an inventory management technique that attempts to minimize inventories without impeding production by timing production of modules based on when they are needed in the OEM production process.
- “Light vehicles” refers to the class of vehicles weighing less than 8,500 pounds GVW.
- “Low” car segment refers to small passenger cars, entry-level in price and presumed to be in the A and B size segments, with generally fewer advanced features.
- “Medium” car segment refers to those vehicles situated between low and premium vehicles in price, feature content and size, typically occupying the C and D size segments.
- “Mid-cycle refresh action” refers to a partial vehicle style upgrade typically timed approximately midway through the vehicle lifecycle; often limited to front and rear fascia/ bumper, exterior and interior trim and wheel changes.
- “Modules” refers to pre-assembled components with integrated parts produced from a variety of internal and external supplier sources that are then integrated into the vehicle at the OEM plant. Includes door panels, instrument panels, front end modules, and/or bumpers.
- “OEM” refers to original equipment manufacturer; the identified manufacturer of record for the vehicle.
- “Passenger car market” refers to all light, medium and large automobiles and light non-commercial truck and SUVs.
- “Performance segment” refers to the class of high power and high acceleration vehicles (both cars and trucks) typically differentiated by special engines, transmissions, rear differentials, suspension systems, brakes and other enhanced performance features, and typically sold at a price premium.
- “Premium segment” refers to passenger cars with premium brand image, including those produced under the Acura, Audi, BMW, Cadillac, Infinity, Jaguar, Land Rover, Lexus, Lincoln, Mercedes-Benz, Porsche and Tesla brands, as well as luxury cars, sports cars and selected high-priced vehicles of other brands (typically exceeding €20,000 base price);
- “Rear view vision system” refers to exterior and interior rear view mirrors and electronic rear view assistance systems employing proximity sensors and/or back-up cameras with associated driver viewable screens.

- “Tier 1 supplier” refers to a supplier that sells directly to OEMs, often integrating parts from lower-tier suppliers into pre-assembled modules for delivery to OEMs for final assembly.
- “TTT” refers to telescopic trailer tow mirrors, which allow the driver to electronically extend the head of the mirror when towing, and retract it under normal driving conditions.

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Independent auditor's report

To: the general meeting and supervisory board of Samvardhana Motiherson Automotive Systems Group B.V.

Report on the financial statements for the year ended 31 March 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Samvardhana Motiherson Automotive Systems Group B.V. as at 31 March 2016, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements for the year ended 31 March 2016 of Samvardhana Motiherson Automotive Systems Group B.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of Samvardhana Motiherson Automotive Systems Group B.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company statement of financial position as at 31 March 2016;
- the following statements for the year ended 31 March 2016: the consolidated and company income statement, the consolidated and company statements of comprehensive income, changes in equity and cash flows;
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

Ref.: e0380570

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We are independent of Samvardhana Motiherson Automotive Systems Group B.V. in accordance with the ‘Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten’ (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the ‘Verordening gedrags- en beroepsregels accountants’ (VGBA).

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

Responsibilities of the directors and the supervisory board

The directors are responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors’ report in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the directors are responsible for assessing the company’s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the directors should prepare the financial statements 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. The directors should disclose events and circumstances that may cast significant doubt on the company’s ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company’s financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.



Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and the other information):

- We have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the directors' report, to the extent we can assess, is consistent with the financial statements.

Rotterdam, 27 May 2016

PricewaterhouseCoopers Accountants N.V.

Original has been signed by W.C. van Rooij RA



Appendix to our auditor's report on the financial statements for the year ended 31 March 2016 of Samvardhana Motiherson Automotive Systems Group B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. 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. Our audit consisted, among others of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concluding on the appropriateness of the directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board 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.

Samvardhana Motiherson Automotive Systems Group B.V. – Ref.: e0380570

Consolidated Financial Statements
All amounts in Euro'000, unless otherwise stated

A.1 Consolidated Statement of Financial Position

	Note	March 31, 2016	March 31, 2015
Assets			
Intangible assets	A.6.3.1	27,808	36,620
Property, plant and equipment	A.6.3.2	863,950	786,951
Investment properties	A.6.3.3	10,733	11,000
Joint ventures accounted for using the equity method	A.6.3.4	33,593	27,095
Associates accounted for using the equity method	A.6.3.5	259	307
Other financial instruments	A.6.3.6	5	5
Trade receivables and other assets	A.6.3.8	68,177	27,925
Deferred tax assets	A.6.5	39,380	22,471
Non-current assets		1,043,905	912,374
Inventories	A.6.3.7	165,061	168,710
Trade receivables	A.6.3.8	497,354	458,949
Current tax assets	A.6.3.8	779	283
Other financial instruments	A.6.3.6	940	1,169
Other receivables	A.6.3.8	83,808	72,073
Cash and cash equivalents	A.6.3.9	192,518	184,144
Current assets		940,460	885,328
Total assets		1,984,365	1,797,702
Equity and liabilities			
Shareholder's equity	A.5	333,347	267,548
Non-controlling interests	A.5	70,795	67,854
Equity		404,142	335,402
Provisions for pension liabilities	A.6.3.11	11,838	12,226
Other provisions	A.6.3.12	2,059	2,685
Financial liabilities	A.6.3.13	600,864	514,198
Other liabilities	A.6.3.15	26,287	31,684
Deferred tax liabilities	A.6.5	48,322	51,542
Non-current liabilities		689,370	612,335
Other provisions	A.6.3.12	19,443	13,807
Financial liabilities	A.6.3.13	93,611	71,141
Trade payables	A.6.3.15	574,468	566,402
Liabilities to related parties	A.6.3.14	19,771	18,458
Other financial instruments	A.6.3.6	27	62
Current tax liabilities	A.6.3.15	8,446	17,843
Other liabilities	A.6.3.15	175,087	162,252
Current liabilities		890,853	849,965
Liabilities		1,580,223	1,462,300
Total		1,984,365	1,797,702

The notes on pages F-12 to F-66 are an integral part of these consolidated financial statements.

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.2 Consolidated Income Statement

	Notes	Year ended March 31, 2016	Year ended March 31, 2015
Revenue	A.6.4.1	4,012,724	3,484,067
Changes in inventories	A.6.4.2	(7,601)	16,118
Other operating Income	A.6.4.3	43,291	78,104
Cost of materials	A.6.4.4	(2,564,913)	(2,340,498)
Personnel expenses	A.6.4.5	(785,428)	(637,202)
Depreciation and amortization	A.6.4.6	(121,939)	(86,997)
Other operating expenses	A.6.4.7	(406,240)	(341,096)
Result from operating activities		169,894	172,496
Finance income	A.6.4.8	2,136	1,781
Finance costs	A.6.4.8	(40,507)	(41,497)
Finance costs - net	A.6.4.8	(38,371)	(39,716)
Share of after-tax profits of joint ventures accounted for under the equity method	A.6.4.9	11,556	9,400
Share of after-tax profits/(losses) of associates accounted for under the equity method	A.6.4.10	(23)	33
Earnings before taxes (EBT)		143,056	142,213
Income taxes	A.6.5	(29,127)	(30,202)
Profit for the year		113,929	112,011
Thereof profit or loss for the year attributable to:			
Equity holders of the group		97,281	94,897
Non-controlling interests		16,648	17,114
Profit for the year		113,929	112,011

The notes on pages F-12 to F-66 are an integral part of these consolidated financial statements.

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.3 Consolidated Statement of Comprehensive Income

	Year ended March 31, 2016	Year ended March 31, 2015
Profit for the year after tax:	113,929	112,011
Other comprehensive income / (loss):	(37,783)	47,631
- Items that will not be reclassified to profit & loss		
Remeasurement of post-employment benefits	14	(2,575)
Deferred tax on re-measurement (gains)/ losses	(46)	272
- Items that may be subsequently classified to profit & loss		
Exchange differences on translating foreign operations	(37,751)	49,934
Total comprehensive income for the year	76,146	159,642
Attributable to:		
Equity holders of the group	66,374	130,932
Non-controlling interests	9,772	28,710
	76,146	159,642

The notes on pages F-12 to F-66 are an integral part of these consolidated financial statements.

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.4 Consolidated Cash Flow Statement

	Note	Year ended March 31, 2016	Year ended March 31, 2015
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year before tax	A.2	143,056	142,213
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	A.6.4.6	111,346	78,748
Amortisation of intangibles	A.6.4.6	10,593	8,249
Gain from bargain purchase	A.6.4.3	—	(13,329)
(Gain) / loss from the sale of property, plant and equipment, investment properties and assets held for sale	A.6.4.3 / A.6.4.7	(183)	457
Finance costs - net (excluding foreign exchange loss)	A.6.4.8	32,706	39,482
Share of profits of JV and associates accounted for using equity method	A.6.4.9 / A.6.4.10	(11,533)	(9,433)
Reversal / addition of bad debt allowances and provisions	A.6.4.3 / A.6.4.7	2,344	277
Unrealised foreign exchange (gain)/loss		(3,427)	19,391
Cash flow from operations before working capital changes		284,902	266,055
Working capital changes			
Increase in provisions		5,342	353
Decrease /(Increase) in inventories		3,649	(2,952)
Increase in trade receivables		(72,236)	(60,144)
Increase in other assets ¹		(19,183)	(16,826)
Increase in trade payables		23,571	133,818
Increase in other liabilities ²		5,360	32,376
Cash flow from operating activities before income tax		231,405	352,680
Income tax paid		(60,192)	(38,934)
Cash flow from operating activities (A)		171,213	313,746
CASH FLOW FROM INVESTING ACTIVITIES			
Disposal of investment in associates		—	49
Purchase of property, plant & equipment (including advances)		(238,858)	(180,255)
Purchase of intangible assets		(1,821)	(3,274)
Proceeds from sale of property, plant and equipment		5,353	3,639
Proceeds from disposal of investments		—	5
Dividends received from Joint Ventures		5,744	500
Acquisition of subsidiaries		—	(35,764)
Acquisition of Joint Venture		(686)	—
Acquisition of non-controlling interests		—	(28,862)
Interest received		2,136	1,782
Cash flow from investing activities (B)		(228,132)	(242,180)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid to non-controlling interest		(6,201)	(12,312)
Capital contributions to non-controlling interests		—	292
Repayment of finance lease liabilities		(7,819)	(11,910)
Proceeds from borrowings		115,949	561,389
Repayment of borrowings		(2,668)	(416,067)
Interest paid		(29,122)	(28,883)
Related party loans repaid		—	(68,326)
Cash flow from financing activities (C)		70,139	24,183
Changes in cash and cash equivalents (A+B+C)		13,220	95,749
Cash and cash equivalents at beginning of period	A.6.3.9	184,144	85,701
Variation in cash and cash equivalents from translation in foreign currencies		(4,846)	2,694
Cash and cash equivalents at end of year	A.6.3.9	192,518	184,144

1 Other asset comprising of tax receivables, other financial and non-financial assets.

2 Other liabilities comprise of prepayment received, liabilities from shareholders, and other financial and non-financial liabilities.

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.5 Consolidated Statement of Changes in Equity

	Attributable to owners of the parent						Non-controlling interest	Total equity
	Subscribed capital	Share premium	Currency translation reserve	Retained earnings	Merger reserve	Total		
As at April 1, 2014	21	7,490	(6,639)	(18,603)	154,347	136,616	51,164	187,780
Total comprehensive income								
Profit for the year	—	—	—	83,274	11,623	94,897	17,114	112,011
Other comprehensive income								
Items that may be subsequently classified to statement of profit or loss								
- Foreign currency translation	—	—	33,498	24	4,771	38,293	11,641	49,934
Items that will not be reclassified to statement of profit or loss								
- Remeasurement of post-employment benefits	—	—	—	(2,570)	54	(2,516)	(59)	(2,575)
- Deferred tax relating to remeasurement	—	—	—	274	(16)	258	14	272
Total other comprehensive income	—	—	33,498	(2,272)	4,809	36,035	11,596	47,631
Total comprehensive income	—	—	33,498	81,002	16,432	130,932	28,710	159,642
Transactions with owners								
- Addition during the year	45	893,420	—	—	(893,465)	—	292	292
- Dividend distribution to non controlling interests	—	—	—	—	—	—	(12,312)	(12,312)
Total transactions with owners	45	893,420	—	—	(893,465)	—	(12,020)	(12,020)
As at March 31, 2015	66	900,910	26,859	62,399	(722,686)	267,548	67,854	335,402

Consolidated Financial Statements — (Continued)
All amounts in Euro '000, unless otherwise stated

	Attributable to owners of the parent						Non-controlling interest	Total equity
	Subscribed capital	Share premium	Currency translation reserve	Retained earnings	Merger reserve	Total		
As at April 1, 2015	66	900,910	26,859	62,399	(722,686)	267,548	67,854	335,402
Total comprehensive income	—	—	—	97,281	—	97,281	16,648	113,929
Profit for the year	—	—	—	—	—	—	—	—
Other comprehensive income								
Items that may be subsequently classified to statement of profit or loss								
- Foreign currency translation	—	—	(30,998)	—	—	(30,998)	(6,753)	(37,751)
Items that will not be reclassified to statement of profit or loss								
- Remeasurement of post-employment benefits	—	—	—	170	—	170	(156)	14
- Deferred tax relating to remeasurement	—	—	—	(80)	—	(80)	34	(46)
Total other comprehensive income	—	—	(30,998)	90	—	(30,908)	(6,875)	(37,783)
Total comprehensive income	—	—	(30,998)	97,371	—	66,373	9,773	76,146
Transactions with owners								
- Addition during the year	—	—	—	(574)	—	(574)	(631)	(1,205)
- Dividend distribution to non controlling interests	—	—	—	—	—	—	(6,201)	(6,201)
Total transactions with owners	—	—	—	(574)	—	(574)	(6,832)	(7,406)
As at March 31, 2016	66	900,910	(4,139)	159,196	(722,686)	333,347	70,795	404,142

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.6. Notes to the Consolidated Financial Statements

A.6.1 General information and description of the business

These consolidated financial statements comprise of Samvardhana Motherson Automotive Systems Group BV (SMRP BV) and its subsidiaries (hereinafter referred to as “SMRP BV Group” or “the Group”) for the year ended March 31, 2016. MSSL is the ultimate parent of SMRP BV Group.

SMRP BV is a private company with limited liability, incorporated under the laws of the Netherlands on October 07, 2011. Its registered office and principal place of business is situated at Hoogoorddreef 15, 1101 BA Amsterdam, The Netherlands.

These consolidated financial statements have been authorised for issue by SMRP BV’s management and supervisory board on May 27, 2016.

On June 13, 2014, SMRP BV acquired 98.45% shareholding of Samvardhana Motherson Reflectec Group Holdings Limited (SMR Jersey) from Samvardhana Motherson Group Holdings Limited (SMGHL), Cyprus in share exchange deal wherein SMGHL transferred its entire shareholding (including acquired on June 9, 2014 from minority shareholders) to SMRP BV in exchange of 45,676 shares of a nominal value of € 1 each issued by SMRP BV and consequently SMRP BV has become subsidiary of SMGHL. Shareholders of SMRP BV have approved allotment of shares to SMGHL in their meeting dated June 13, 2014.

On June 24, 2014, SMRP BV acquired 16.28% stake held by PF Beteiligungsverwaltungs (Cross Industries AG). PF Beteiligungsverwaltungs had exercised put option for 16.28% held by them in SMP Deutschland GmbH and SMP Automotive Technology Iberica S.L. in accordance with the framework agreement. Consequent to this buy out SMRP BV along with SMGHL holds 100% in SMP Deutschland GmbH and SMP Automotive Technology Iberica S.L.

SMR Group

SMR Jersey was incorporated on February 16, 2009. On March 6, 2009 Samvardhana Motherson Reflectec Group Holdings Limited acquired the Visiocorp Group and with this acquisition commenced its operating business.

SMR Group develops and produces a wide range of exterior mirrors from simple prismatic versions up to complex multi-function systems. In addition to the mirror technology, the Group develops and produces driver assistance systems such as detection systems in the door mirror for monitoring blind spots or mirror turn signals. It has production facilities and engineering centres in 14 countries across the globe.

SMP Group

SMRP BV acquired the Peguform Group as on November 23, 2011.

SMP Group supplies plastic parts and system modules for vehicle interiors and exteriors. Products for vehicle interiors include in particular interior door panels and dashboards. For exteriors, bumpers and other bodywork components are manufactured. The product range encompasses individual parts and complete modules, with engineering and tooling services also being provided. It has production facilities and engineering centres in 7 countries across the globe.

A.6.2 Summary of Significant Accounting Policies

A.6.2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared for the financial year beginning April 01, 2015 and ending on March 31, 2016.

On June 13, 2014, SMRP BV acquired 98.45% shareholding of Samvardhana Motherson Reflectec Group Holdings Limited (SMR Group) from Samvardhana Motherson Group Holdings Limited (SMGHL), Cyprus in share exchange deal wherein SMGHL transferred its entire shareholding (including acquired on June 9, 2014 from minority shareholders) to SMRP BV in exchange of 45,676 shares of a nominal value of € 1 each issued by SMRP BV and consequently SMRP BV has become

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

subsidiary of SMGHL. Shareholders of SMRP BV approved allotment of shares to SMGHL in their meeting dated June 13, 2014. Prior to June 13, 2014, SMRP BV and SMR Group were jointly controlled by Motherson Sumi Systems Limited (MSSL India) and Samvardhana Motherson International Limited (SMIL India) and after this transaction SMRP BV Group comprising SMR Group continue to be jointly controlled by MSSL India and SMIL India. SMR Group's business continues to be reviewed by the Chief Operating Decision Maker ("CODM") as a distinct operating segment and the relevant information of segment profitability and financial position can found in Note A.6.6.3 "Operating Segment Information".

As this transaction is done under "common control" as defined by IFRS, the activities of SMR Group for the period prior to June 13, 2014 had been included in the consolidated accounts using the predecessor accounting method. This accounting treatment lead to differences on consolidation between consideration and fair value of the underlying net assets and this difference is included within equity as a merger reserve. All subsequent business combinations are accounted for using the acquisition method of accounting.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS EU").

The consolidated financial statements have been prepared under the historical cost convention except for available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

A.6.2.2 Currency translation

A.6.2.2.1 Transactions in foreign currencies

All transactions are recorded in functional currency of the principal operating environment in which each Group company operates. The Consolidated financial statements are presented in 'euro', which is also the parent company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on this date. Differences from foreign currency transactions are reported in the income statement. Non-monetary assets and liabilities that are measured at historical cost in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on the day of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on the date on which the fair value was determined.

A.6.2.2.2 Annual financial statements of foreign operations

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

The exchange rates of currencies of non-Euro zone countries used for the consolidated financial statements are listed below (expressed in foreign currency units per Euro):

<u>Foreign currencies</u>		<u>Closing rates</u> <u>March 31, 2016</u>	<u>Average rates</u> <u>Year ended</u> <u>March 31, 2016</u>	<u>Closing rates</u> <u>March 31, 2015</u>	<u>Average rates</u> <u>Year ended</u> <u>March 31, 2015</u>
Brazilian Real	BRL	4.09	3.96	3.43	3.12
Mexican Peso	MXN	19.66	18.38	16.37	17.34
Chinese Yuan	CNY	7.34	7.02	6.65	7.85
US Dollar	USD	1.14	1.10	1.07	1.27
Great British Pound	GBP	0.79	0.73	0.72	0.79
Korean Won	KRW	1,301.61	1,276.24	1,188.87	1,341.84
Indian Rupee	INR	75.38	72.29	67.06	77.44
Thai Bhat	THB	39.94	38.64	34.90	41.14
Hungarian Forint	HUF	313.49	310.35	300.18	308.45
Japanese Yen	JPY	128.07	132.58	128.89	138.76
Australian Dollar	AUD	1.49	1.50	1.41	1.45

A.6.2.3 Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Acquisition method of accounting is used to account for business combinations by the Group. According to this method, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Intangible assets are recognised separately from any goodwill, provided that they can be separated from the company or are derived from a contractual or other entitlement.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and the fair value of non-controlling interest is lower than the fair value of the net assets of the subsidiary acquired, the difference is directly recognised in profit or loss.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognised at fair value within liabilities with a corresponding charge directly to equity. The charge to equity is recognised separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

The Group recognises the cost of writing such put options, determined as the excess of the fair value of the option over any consideration received, as a financing cost. Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost.

Joint ventures

Joint ventures are companies over which the Group holds joint control as a result of contractual agreements.

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All amounts in Euro'000, unless otherwise stated

The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Interest in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of 20% to 50% of the voting rights. Investments in associate are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Equity Method

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in the associate/joint venture equals or exceeds its interest in the associate/joint venture, including any other long-term receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate/joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate/joint ventures and its carrying value and recognizes the amount of impairment adjacent to share of profit/(loss) of an associate/joint ventures in the income statement.

Accounting policies of the associates/joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates/joint ventures are recognized in the income statement.

Elimination of business transactions in the course of consolidation

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

Profits and losses resulting from unrealised upstream and downstream transactions between the Group and its associate / joint ventures are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates / joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Unrealised gains or losses from business transactions with joint ventures accounted for using the equity method have been eliminated from the investments in accordance with the amount of the holding.

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The consolidated financial statements of the Group include:

SMR Group

SMR Group comprises the subsidiaries as disclosed below:

<u>Entity name</u>	<u>Country</u>	<u>Capital share</u>	<u>Minority shares</u>	<u>Voting rights</u>
Samvardhana Motherson Reflectec Group Holdings Limited {SMRGHL}	Jersey	98.45%	1.45%	98.45%
Samvardhana Motherson Innovative Autosystems Holding Company B.V. (held by SMRGHL)	Netherlands	100%	—	100%
Samvardhana Motherson Innovative Autosystems de Mexico, S.A. de C.V. (held by SMRGHL)	Mexico	100%	—	100%
Samvardhana Motherson Global (FZE) (held by SMRGHL)	UAE	100%	—	100%
SMR Automotive Mirror Technology Hungary Bt (held by SMRGHL) ... Motherson Innovations Company Limited (held by SMRGHL)	Hungary	100%	—	100%
{MI UK}	UK	100%	—	100%
SMR Automotive Holding Hong Kong Limited (held by SMRGHL) {SMR Hong Kong}	Hong Kong	100%	—	100%
Samvardhana Automotive Technology Holding Cyprus Limited (held by SMRGHL) {SMR Cyprus}	Cyprus	100%	—	100%
SMR Automotive Systems India Limited (held by SMR Cyprus)	India	51%	49%	51%
SMR Automotive Systems France S. A. (held by SMR Cyprus)	France	100%	—	100%
SMR Automotive System (Thailand) Limited (held by SMR Cyprus)	Thailand	100%	—	100%
SMR Automotive Mirror Technology Holding Hungary Kft (held by SMR Cyprus) {SMR Hungary Kft}	Hungary	100%	—	100%
SMR Automotive Brasil LTDA (held by SMR Hungary Kft)	Brazil	100%	—	100%
SMR Holding Australia Pty Limited (held by SMR Hungary Kft) {SMR Australia}	Australia	100%	—	100%
SMR Automotives Systems Macedonia Doel Skopje (held by SMR Hungary Kft)	Macedonia	100%	—	100%
SMR Automotive Operations Japan K.K. (held by SMR Hungary Kft)	Japan	100%	—	100%
SMR Automotive Australia Pty Limited (held by SMR Australia)	Australia	100%	—	100%
SMR Automotive Mirror Parts and Holdings UK Limited (held by SMRGHL) {SMR UK}	UK	100%	—	100%
SMR Patents S.A.R.L. (held by SMR Holding UK)	Luxemburg	100%	—	100%
SMR Automotive Technology Valencia SAU (held by SMR Holding UK)	Spain	100%	—	100%
SMR Automotive Mirrors UK Limited (held by SMR Holding UK)	UK	100%	—	100%
SMR Automotive Services UK Limited (held by SMR Holding UK, liquidated March 05, 2015)	UK	100%	—	100%
SMR Automotive Vision System Operations USA INC. (held by SMR Holding UK) {SMR USA}	USA	100%	—	100%
SMR Automotive Mirror Systems Holding Deutschland GmbH (held by SMR Holding UK) {SMR Holding Deutschland}	Germany	100%	—	100%
SMR Mirrors UK Limited (held by SMR USA) {SMR UK}	UK	100%	—	100%
SMR Automotive Mirror International USA Inc. (held by SMR UK) {SMR International USA}	USA	100%	—	100%
SMR Automotive Systems USA Inc. (held by SMR International USA) ...	USA	100%	—	100%
SMP Automotive Systems Alabama Inc. (held by SMR International USA)	USA	100%	—	100%
SMR Automotive Beijing Company Limited (held by SMR Hong Kong)	China	100%	—	100%
SMR Automotive Yancheng Company Limited (held by SMR Hong Kong)	China	100%	—	100%
SMR Poong Jeong Automotive Mirrors Korea Limited (held by SMR Holding Deutschland) {SMR Korea}	South Korea	89.86%	10.14%	89.86%

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<u>Entity name</u>	<u>Country</u>	<u>Capital share</u>	<u>Minority shares</u>	<u>Voting rights</u>
SMR Hyosang Automotive Limited (held by SMR Korea)	South Korea	100%	—	100%
SMR Automotive (Langfang) Co. Limited (held by SMR Korea)	China	100%	—	100%
SMR Automotive Beteiligungen Deutschland GmbH (held by SMR Holding Deutschland)	Germany	100%	—	100%
SMR Automotive Mirrors Stuttgart GmbH (held by SMR Holding Deutschland) {SMR Stuttgart}	Germany	100%	—	100%
SMR Grundbesitz GmbH & Co KG (held by SMR Holding Deutschland)	Germany	93.07%	6.93%	93.07%
SMR Automotive Systems Spain S.A.U. (held by SMR Stuttgart)	Spain	100%	—	100%
SMR Automotive Vision Systems Mexico S.A. de C.V. (held by SMR Stuttgart) {SMR Mexico}	Mexico	100%	—	100%
SMR Automotive Servicios Mexico S.A. de C.V. (held by SMR Mexico)	Mexico	99.99%	0.01%	99.99%
Motherson Innovations Deutschland GmbH (held by MI UK)	Germany	100%	—	100%

SMR Group comprises joint ventures and associates as disclosed below:

<u>Entity name</u>	<u>Country</u>	<u>Capital share</u>
Ningbo SMR Huaxiang Automotive Mirrors Co. Limited	China	50%
Chongqing SMR Huaxiang Automotive Products Limited	China	50%
Re-Time Pty Limited	Australia	35%

SMP Group

SMP Group comprises the subsidiaries as disclosed below:

<u>Name</u>	<u>Country</u>	<u>Capital share</u>	<u>Minority shares</u>	<u>Voting rights</u>
Samvardhana Motherson Peguform GmbH {SMP GmbH}	Germany	100%	—	100%
SMP Automotive Technology Ibérica, S.L. {SMP Iberica}	Spain	100%	—	100%
SMP Automotive Interiors (Beijing) Co. Ltd	China	100%	—	100%
SMP Automotive Exterior GmbH (held by SMP GmbH) {SMP AE}	Germany	100%	—	100%
SMP Deutschland GmbH (held by SMP GmbH) {SMP Deutschland}	Germany	94.80%	5.20%	94.80%
Samvardhana Motherson Innovative Autosystems B.V. & Co. KG (held by SMP GmbH)	Germany	100%	—	100%
SMP Logistik Service GmbH (held by SMP Deutschland)	Germany	100%	—	100%
SMP Automotive Solutions Slovakia s.r.o. (held by SMP Deutschland)	Slovakia	100%	—	100%
Changchun Peguform Automotive Plastics Technology Ltd. (held by SMP Deutschland) {CPAT}	China	50%	50%	50%+1*
SMP Automotive Technology Management Services (Changchun) Co. Ltd. (held by SMP Deutschland)	China	100%	—	100%
Foshan Peguform Automotive Plastics Technology Co. Ltd. (held by CPAT)	China	100%	—	100%
Samvardhana Motherson Peguform Automotive Technology Portugal, S.A. (held by SMP Iberica)	Portugal	100%	—	100%
SMP Automotive Technologies Teruel, S.L. (held by SMP Iberica) {SMP Teruel}	Spain	100%	—	100%
Samvardhana Motherson Peguform Barcelona, S.L.U. (held by SMP Iberica) {SMP Barcelona}	Spain	100%	—	100%
SMP Automotive Produtos Automotivos do Brasil Ltda (held by SMP Teruel)	Brazil	100%	—	100%-1
SMP Automotive Systems México, S. A. de C. V. (held by SMP Barcelona)	Mexico	100%	—	100%-1
SM Real Estate GmbH (held by SMP AE)	Germany	94.80%	5.20%	94.80%

* SMP Deutschland GmbH has 50% of the voting rights plus one additional vote.

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SMP Group comprises joint ventures as disclosed below:

<u>Name</u>	<u>Country</u>	<u>Capital share</u>
Celulosa Fabril (Cefa) S.A.	Spain	50%
Modulos Ribera Alto S.LU.	Spain	50%
Eissmann SMP Automotive Interieur Slovensko s.r.o.	Slovakia	49%

A.6.2.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets with a finite useful life are carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is capitalised if it meets the definition of an intangible asset. Costs not eligible for capitalisation are expensed off and disclosed under “Research and development costs” in the income statement.

The intangible assets are amortised on a straight-line basis over their useful lives, beginning at the time the asset is first used and ending after a length of time usual for the asset in operation. The uniform useful lives applied within the Group are as follows:

<u>Description</u>	<u>Useful life (in years)</u>
Concessions, intellectual property, software and similar rights	1-3
Contracts with customers	3-11
Patents & Technologies	5-13

The useful life of customer contracts, engineering contracts as well as technology is the result of the analyses and average useful life of the contracts.

The amortisation methods, the usual useful lives and the residual values are checked annually.

A.6.2.5 Property, plant and equipment

A.6.2.5.1 Own assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. When a major replacement is made, its cost is recognised in the carrying amount of the plant and equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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A.6.2.5.2 Leased assets

Leasing agreements in which the Group has essentially assumed all risks and opportunities are classified as finance leases. A property acquired under finance lease needs to be capitalized at the lower of its fair value or the present value of the minimum lease payments at the beginning of the lease period. Asset acquired under finance lease is depreciated over shorter of its useful life and lease term (provided that there is no transfer of the assets at the end of the lease term) or the estimated useful life (see A.6.2.5.3). Impairments are performed as necessary (see A.6.2.7).

If, from an economic perspective, not all substantial opportunities and risks have been transferred, leasing agreements are classified as operating leases and the income and expenses derived there from are recognised in the income statement.

A.6.2.5.3 Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

<u>Description</u>	<u>Useful life (in years)</u>
Buildings	40-50
Machinery and other technical facilities	10-15
Tooling	1-7
Other plant and office equipment	5-15

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. No depreciation is charged on land.

A.6.2.6 Investment Properties

Investment properties are stated at cost less accumulated depreciation. Transaction costs are included on initial measurement. The fair values of investment properties are disclosed in the notes. These are assessed using internationally accepted valuation methods. The fair values are calculated based on the income method and are supported by the results of the sales comparison method which compares a subject property's characteristics with those of comparable properties which have recently sold in similar transactions and uses multiples to calculate the fair value. Comparable characteristics that are used for the multiples are the construction level and the specific rent level. Depreciation is provided on investment property other than land, on a straight-line basis over the expected useful life which is 30 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

A.6.2.7 Impairment of non-current assets

Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (see A.6.2.7.1).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units), generally individual business units. Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Impairment is recognised if the carrying value of an asset or its cash-generating unit exceeds the recoverable amount. Impairments are reported in the income statement.

The Group performed reviews at the reporting date to determine whether there were indications that assets or their cash-generating units have to be impaired.

The triggering event for the impairment of technology could also be a budget that causes revenues to be reduced in the future or material changes in determination of royalty rate.

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The triggering event for the impairment of patent and intellectual property is change in future economic benefits embodied in the asset.

A.6.2.7.1 Recoverable amounts

The recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets that primarily do not generate independent cash flows, the recoverable amount was determined for the cash-generating units to which these assets belonged.

A.6.2.7.2 Impairment reversals

In case events which caused impairment initially ceases to exist, impairments are only reversed to the extent that increased carrying amount of the asset does not exceed the carrying amount that would have been in place had there no impairment been carried out in the first place, taking into account the normal depreciation/amortization.

A.6.2.8 Financial instruments

A financial instrument is any agreement that leads to the generation of financial asset at one company and/or to a financial liability or equity instrument at another. Financial instruments can be placed into one of four categories according to their intended purpose: financial assets measured at fair value through profit or loss, financial assets held to maturity, loans and receivables, financial assets available for sale.

Financial instruments include primary financial instruments such as receivables and trade liabilities, securities, debt instruments and other financial liabilities. They also include derivative financial instruments used to hedge against risks arising from changes in exchange rates and interest rates.

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

A financial asset is derecognised in the following circumstances:

- The group transfers the contractual rights to receive the cash flow it generates have expired or have been transferred, and
- The group has transferred substantially all the risk and rewards of the ownership.

As at March 31, 2016, the Group had an amount of €215.2 million (March 31, 2015 : € 151.4 million) of receivables derecognised from its balance sheet as group had transferred the contractual right and has substantially transferred all risks and rewards of ownership of these receivables to various financial institutions.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

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Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

A.6.2.8.1 Primary financial instruments

Primary financial instruments are allocated to one of four categories according to their intended purpose. This allocation is re-assessed at each reporting date and it is determined whether the asset is to be reported as current or non-current.

a. Financial assets carried at fair value through profit or losses are initially recognised at fair value, and transaction costs are expensed in the income statement. Changes in the fair value of financial assets measured at fair value - either because they have been reported as such upon initial recognition or are held for trading - are recognised directly in the income statement. They are also reported as current assets if they are being held for trading or it can be reasonably expected that they will be converted within twelve months from the reporting date.

b. Financial assets held to maturity are initially recognised at fair value plus transaction costs. Financial assets held to maturity which exhibit fixed or determinable payments and a fixed maturity period, and which the Group wishes and is able to hold until maturity are measured at amortised cost and reported depending on their maturity period as non-current or current assets. The amortisation and losses arising from impairments are recognised in the statement of profit or loss.

c. Loans and receivables are initially recognised at fair value plus transaction costs. Loans and receivables that have fixed or determinable payments and are not listed on an active market are measured at amortised cost using the effective interest method less any necessary write-downs arising from impairments. They are reported in the statement of financial position under other receivables and other assets unless they are trade receivables, and are recorded as non-current or current depending on their maturity period.

d. Available-for-sale financial assets that have been reported as such upon initial recognition are measured at fair value, provided that this can be determined, and then reported as non-current or current assets, depending on the expected time of sale. Gains and losses from changes in fair value are recorded net, i.e. after tax, and taken directly to equity ("Other comprehensive income") until the financial asset has been derecognised. In the event that an asset is impaired permanently, however, the loss must be recorded directly in the income statement. If it is not possible to determine the fair value, for example with holdings in non-consolidated affiliated companies or other investments in companies, these assets are measured at cost.

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A.6.2.8.1 Impairment of financial assets

(a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired

Financial liabilities are initially recognised at fair value less transaction costs for liabilities not recognised at fair value through profit or loss. Subsequently financial liabilities from primary financial instruments are measured at amortised cost. The Group measures all financial liabilities except derivatives at amortised cost, which encompasses the remaining debt amount less expenses. Liabilities from finance leases are measured at the present value of the remaining minimum lease payments on the basis of the interest rate underlying the leasing agreement. Financial liabilities with fixed or determinable payments that are neither debt instruments nor derivative financial instruments listed on an active market are reported in the statement of financial position under other liabilities at amortised cost. All financial instruments are therefore measured at historical cost or amortised cost less impairments.

A.6.2.8.2 Derivative financial instruments

Derivative financial instruments that are not part of a hedging relationship are carried at fair value upon initial recognition, corresponding to the fair value of the consideration received or given in return. After initial recognition, derivative financial instruments are carried at fair value, which is based on the market value of the financial instrument. Any changes in fair value are recorded directly in profit or loss.

A.6.2.9 Inventories

Inventories are initially measured at cost, which comprises those costs directly attributable to the production process and an appropriate share of production overheads based on normal operating capacity. This includes write-downs related to production and a reasonable proportion of the

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administrative and social security costs. Financing costs are not included in the acquisition or production costs. Costs for raw materials and supplies are determined using the moving weighted average prices.

Inventories are carried at the lower of the cost or net realisable value at the reporting date. The net realisable value is the estimated selling price that could be achieved in the course of normal business less estimated costs of completion and estimated costs necessary to make the sale.

A.6.2.10 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The Group determines the level of completion on the basis of milestones achieved to date. If it is not possible to determine the level of completion reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable. Therefore, no profit is reported in such a situation ("zero profit margin method"). The costs include all expenses incurred in direct relation to the specific projects and a proportion of the fixed and variable general costs incurred on the basis of normal capacity for the Group's construction contracts. On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

A.6.2.11 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A.6.2.12 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with an original maturity three months or less. Cash and cash equivalents are measured at cost.

A.6.2.13 Income taxes

Current taxes are those taxes foreseeably payable on a year's taxable income in accordance with the statutory tax rates or tax rates that had been substantially adopted as of the reporting date, as well as all adjustments to payable taxes in relation to previous reporting periods.

Deferred tax assets and liabilities are recognised for all temporary differences between the carrying amount as per IFRS and the relevant tax assessment basis. Deferred tax liabilities are not recognised for temporary differences ("outside-basis differences") if the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities for dividends from subsidiaries will be recognised if the parent company determines that the profits of the respective subsidiary will be distributed in the foreseeable future. Deferred tax assets contain tax assets that are derived from the expected utilization of unused tax losses and unused tax credits, unless it is improbable that the future taxable profits will be available against which the temporary differences can be utilized. Deferred taxes are calculated on the basis of the tax rates that are expected to apply to the period when the asset is realized and the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period in the respective country.

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Income taxes for the annual result reported in the income statement comprise current taxes and deferred taxes. Income taxes are recorded in the income statement unless they relate to items recognised directly in equity or in other comprehensive income. In this case, the income taxes incurred are also recognised directly in equity or in other comprehensive income.

A.6.2.14 Provisions

A.6.2.14.1 Pension provisions

Companies within the Group operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

When a settlement or a curtailment occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions after considering any legal or contractual minimum funding requirements. The minimum funding requirements stipulate a minimum amount or level of contributions that must be made to a plan over a given period and may limit the ability of the entity to reduce future contributions and considered respectively in determining the economic benefit from the plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A.6.2.14.2 Warranties

A provision is recognised for expected warranty claims on products sold during the year, based on past experience of the level of repairs and returns although it is expected that most of these costs will be paid out in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

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A.6.2.14.3 Tax provisions and other provisions

Provisions for tax and other purposes are recognised to accommodate the possibility that current legal or constructive obligations against third parties resulting from a past event exist, and that it is probable that an outflow of economic benefits will be required to settle the obligation, and that the amount of these obligations can be estimated reliably.

Long-term provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Short term provisions are carried at their redemption value and are not offset against receivables from reimbursements.

A.6.2.15 Government Grants and grants from private companies & institutions

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to the acquisition costs of the respective fixed asset and thus are released as income over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate as the conditions attached to the grants are met.

Grants from private companies and institutions are accounted for in a manner similar to the accounting for government grants, if the grants are comparable to government grants in their nature and the conditions related to these grants are satisfied.

A.6.2.16 Liabilities from finance lease

Liabilities from finance lease are initially carried at equal to the fair value of leased property, or if lower, the present value of minimum lease payments. The lease payments are then separated into financing costs and the redemption of the remaining liability.

A.6.2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

A.6.2.18 Recognition of income and expenses

Sales revenue and other operating income is recognised when ownership of an asset changes hands or the opportunities and risks related to the property are transferred to the customer, when the amount of the income has been determined or can be determined, and when there is sufficient likelihood that the economic benefit from the sale will flow to the Group. Sales revenue from the sale of goods is measured at the fair value of the consideration received or to be received less product returns, rebates and discounts for early payment. Revenues from the sale of services are recorded with respect to the stage of completion as of the reporting date in relation to the total service to be provided in the course of the transaction.

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Operating expenses are recognised when goods or services are used or when the expense is incurred. Anticipated losses from construction contracts are directly recognised as expenses.

Interest is recognised using the effective interest method as an expense or income for the period in which it occurs. Interest payments for finance leases are calculated by breaking down the minimum lease payments into financing costs and redemption payments for the remainder of the liability and spreading the financing costs over the periods covered by the term of the leasing agreement. This allows a constant, periodic interest rate for the remainder of the liability to be calculated. Payments from operating leases are recognised over the term of the leasing agreement using a straight-line distribution in the income statement.

Dividend income is recognised when the right to receive payment is established.

A.6.2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the supervisory board that makes strategic decisions.

A.6.2.20 Changes in accounting policies and disclosures

The IASB has adopted the following changes to existing IFRS and adopted new IFRS standards, which have also already been adopted by the European Commission, thereby making their application mandatory as for Financial Year 2015-16 to the extent relevant for the Group.

New standards and interpretations

During the financial year ended March 31, 2016, below mentioned amendments to IFRS became applicable to the company, however these did not have any impact on the net asset, financial or income position of the Group

- *Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)*
- *Annual Improvements to IFRSs 2010 — 2012 Cycle*
- *Annual Improvements to IFRSs 2011 — 2013 Cycle*
- *IFRIC Interpretation 21 Levies*

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Future changes to accounting regulations

The IASB and IFRIC have adopted further standards and interpretations, but the adoption of these is not mandatory for the reporting period or they have not been endorsed by the European Commission. Accordingly the Group has elected not to early adopt these standards and interpretations in preparing the consolidated financial statements. This concerns the following standards and interpretations relevant to the Group:

	Adoptions for reporting periods that begin on or after the specified date (in accordance with EU endorsement)
Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11)	January 01, 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	January 01, 2016
Amendments to IAS 1: Disclosure Initiative	January 01, 2016
Annual Improvements to IFRSs 2012–2014 Cycle	January 01, 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	January 01, 2016
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	Not yet endorsed
Amendments to IAS 7: Disclosure Initiative	Not yet endorsed
Clarifications to IFRS 15 Revenue from Contracts with Customers	Not yet endorsed
IFRS 15 Revenue from Contracts with Customers	Not yet endorsed
IFRS 9 Financial Instruments	Not yet endorsed
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	Not yet endorsed

At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months. An early adoption of any of the new standards and interpretations is not planned.

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A.6.3 Disclosures regarding the Consolidated Statement of Financial Position

A.6.3.1 Intangible assets

	Concessions, Intellectual Property, Software and Similar rights	Patents & Technology	Contracts with customers	Advance payment	Total
Cost					
At April 1, 2014	13,587	25,909	18,466	—	57,962
Additions	1,361	—	—	1,000	2,361
Acquisitions through business combinations	500	110	9,807	—	10,417
Disposals	(51)	—	(183)	—	(234)
Reclassifications	913	—	—	—	913
Foreign currency translation	303	—	487	—	790
At March 31, 2015	16,613	26,019	28,577	1,000	72,209
Amortisation					
At April 1, 2014	8,900	11,890	6,399	—	27,189
Amortisation charge	2,616	3,330	2,303	—	8,249
Disposals	(51)	—	(183)	—	(234)
Reclassifications	(3)	—	—	—	(3)
Foreign currency translation	93	—	295	—	388
At March 31, 2015	11,555	15,220	8,814	—	35,589
Net book value March 31, 2015	5,058	10,799	19,763	1,000	36,620
Cost					
At April 1, 2015	16,613	26,019	28,577	1,000	72,209
Additions	1,821	—	—	—	1,821
Disposals	(27)	—	—	—	(27)
Reclassifications	1,185	—	—	(1,000)	185
Foreign currency translation	(265)	—	(178)	—	(443)
At March 31, 2016	19,327	26,019	28,399	—	73,745
Amortisation					
At April 1, 2015	11,555	15,220	8,814	—	35,589
Amortisation charge	2,979	3,673	3,941	—	10,593
Disposals	(21)	—	—	—	(21)
Foreign currency translation	(110)	—	(114)	—	(224)
At March 31, 2016	14,403	18,893	12,641	—	45,937
Net book value March 31, 2016	4,924	7,126	15,758	—	27,808

The remaining economic useful lives of the major intangible assets are as follows:

	<u>Years</u>
Patents & Technology	4-9
Contracts with customers	1-7

Expenses for research and development for the year ended March 31, 2016 amounted to k€ 50,185 (March 31, 2015: k€ 42,085).

As at March 31, 2016, intangible assets with a net book value of k€ 2,485 (March 31, 2015: k€ 2,153) were subject to security for bank borrowings.

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A.6.3.2 Property, plant and equipment

	Land and buildings	Machinery and other technical facilities	Tooling	Other plant and office equipment	Construction work in progress + Capital Adv.	Total
Cost						
At April 1, 2014	234,104	379,643	30,446	43,125	90,509	777,827
Additions	18,485	35,017	3,438	6,290	152,064	215,294
Acquisition through business combinations	11,297	8,432	32	2,851	—	22,612
Disposals	(220)	(5,711)	(4,759)	(2,712)	(800)	(14,202)
Reclassifications	16,790	31,936	2,150	2,215	(54,034)	(943)
Foreign currency translation	15,832	19,539	6,390	1,454	6,647	49,862
At March 31, 2015	296,288	468,856	37,697	53,223	194,386	1,050,450
Depreciation and Impairment						
At April 1, 2014	23,894	119,946	16,295	21,552	8	181,695
Depreciation charge for the period	9,625	54,758	5,326	8,772	—	78,481
Disposals	(2)	(4,708)	(2,838)	(2,584)	—	(10,132)
Reclassifications	33	—	—	—	—	33
Foreign currency translation	1,609	7,399	3,439	964	11	13,422
At March 31, 2015	35,159	177,395	22,222	28,704	19	263,499
Net book values at March 31, 2015	261,129	291,461	15,475	24,519	194,367	786,951
Cost						
At April 1, 2015	296,288	468,856	37,697	53,223	194,386	1,050,450
Additions	13,683	45,984	1,846	10,305	157,750	229,568
Disposals	(175)	(4,462)	(809)	(754)	(2,370)	(8,570)
Reclassifications	52,020	97,089	5,018	4,611	(159,924)	(1,186)
Foreign currency translation	(8,939)	(18,830)	(3,475)	(2,301)	(12,493)	(46,038)
At March 31, 2016	352,877	588,637	40,277	65,084	177,349	1,224,224
Depreciation and Impairment						
At April 1, 2015	35,159	177,395	22,222	28,704	19	263,499
Depreciation charge for the period	12,131	63,851	6,117	10,339	—	92,438
Impairment	902	15,298	—	2,440	—	18,640
Disposals	(83)	(1,437)	(329)	(726)	—	(2,575)
Reclassifications	—	358	—	(358)	—	—
Foreign currency translation	(1,164)	(7,181)	(2,147)	(1,236)	—	(11,728)
At March 31, 2016	46,945	248,284	25,863	39,163	19	360,274
Net book values at March 31, 2016	305,932	340,353	14,414	25,921	177,330	863,950

As at March 31, 2016, property, plant and equipment with a net book value of k€ 386,363 (March 31, 2015: k€ 179,214) were subject to security for bank borrowings. (see note A.6.3.13).

During the year, the Group has capitalised borrowing costs amounting to k€ 3,986 (March 31, 2015: k€ 1,421) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.05%.

During the year ended March 31, 2016 one of the Group's subsidiary SMP Automotive Produtos Automotivos do Brasil Ltda (forming part of SMP segment) was tested for impairment. The impairment assessment was triggered due to weak financial performance mainly due to slow down in Brazil automobile market coupled with high inflation and exchange rate increase.

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The management prepared an impairment analysis using discounted cash flow projections based on financial budgets approved by management covering a five-year period to calculate the value in use of the CGU. This resulted in the Group recognising an impairment loss of k€ 18,640 during the year. The analysis was prepared using discount rate of 15%, reflecting specific risks related to Brazil, to discount the future cash flows. The impairment loss is included under 'Depreciation and amortisation' in the Income Statement under Note A.6.4.6.

The following table presents the movement of the carrying amounts of the finance lease assets reported in property, plant and equipment:

	<u>Land and buildings</u>	<u>Machinery & other technical facilities</u>	<u>Other plant and office equipment</u>	<u>Total</u>
Cost				
At April 1, 2014	16,895	25,452	115	42,462
Additions	—	2,213	63	2,276
Disposals	—	(6,335)	—	(6,335)
Reclassifications	—	—	—	—
Foreign currency translation	802	1,139	135	2,076
At March 31, 2015	17,697	22,469	313	40,479
Depreciation and Impairment				
At April 1, 2014	1,601	3,765	112	5,478
Depreciation charge for the period	484	2,890	17	3,391
Disposals	—	(852)	—	(852)
Reclassification	—	—	—	—
Foreign currency translation	287	(232)	103	158
At March 31, 2015	2,372	5,571	232	8,175
Net book values at March 31, 2015	15,325	16,898	81	32,304
Cost				
At April 1, 2015	17,697	22,469	313	40,479
Additions	—	2,685	340	3,025
Disposals	—	—	(18)	(18)
Reclassifications	—	(8,382)	—	(8,382)
Foreign currency translation	(207)	(1,302)	(21)	(1,530)
At March 31, 2016	17,490	15,470	614	33,574
Depreciation and Impairment				
At April 1, 2015	2,372	5,571	232	8,175
Depreciation charge for the period	446	2,225	67	2,738
Disposals	—	—	(2)	(2)
Reclassification	—	(2,854)	—	(2,854)
Foreign currency translation	(46)	(343)	(11)	(400)
At March 31, 2016	2,772	4,599	286	7,657
Net book values at March 31, 2016	14,718	10,871	328	25,917

All leasing agreements have a defined minimum term of lease. Once the lease term ends, the lessor has the right to sell the leased assets at the agreed residual value. The residual values are pre-financed, making the exercise of the put option a non-monetary transaction, which also does not affect the income statement.

Lease liabilities are secured by finance lease assets as on March 31, 2016 of k€ 25,917 (March 31, 2015: k€ 32,304) (see note A.6.3.13).

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A.6.3.3 Investment properties

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Cost		
At beginning of the year	12,637	12,637
Additions	—	—
At end of the year	<u>12,637</u>	<u>12,637</u>
Depreciation and Impairment		
At beginning of the year	1,636	1,370
Depreciation charge	268	267
At end of the year	<u>1,904</u>	<u>1,637</u>
Net book values at end of the year	<u>10,733</u>	<u>11,000</u>

The fair value of investment properties as on March 31, 2016 is k€ 11,440 (March 31, 2015: k€ 11,440). The fair value has been determined based on valuations performed by an accredited independent valuer and falls in the Level 2 of financial instruments valuation hierarchy.

The investment properties comprise a number of commercial properties that are leased to third parties. The leases contain an initial non-cancellable period of 5 years and subsequent renewals are negotiated with the lessee. No contingent rents are charged.

At the year end, the future minimum lease payments under non-cancellable lease receivable are follows:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Not later than one year	541	642
Later than one year and not later than five years	86	581
	<u>627</u>	<u>1,223</u>

During the year, following amounts were recognised in the statement of profit and loss in respect of investment properties:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Rental income from rented properties, all leased under operating leases	866	1,071
Other operating income	97	112
Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period	(750)	(1,048)
Net rental income from rented properties	<u>213</u>	<u>135</u>

A.6.3.4 Joint ventures accounted for using the equity method

	<u>Joint Ventures</u>
At April 1, 2014	18,195
Share of the profits	9,400
Addition	—
Dividend payment	(500)
At March 31, 2015	<u>27,095</u>
At April 1, 2015	27,095
Share of the profits	11,556
Addition	686
Dividend payment	(5,744)
At March 31, 2016	<u>33,593</u>

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A.6.3.4.1 Joint ventures accounted for using the equity method

The Group's interest in following entities is accounted for using the equity method in the consolidated financial statements. There is no quoted market price for these investments.

Summarised financial information of the joint ventures, based on their IFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

Value of investments in joint ventures

<u>Name of the entity</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Ningbo SMR Huaxiang Automotive Mirrors Co., Ltd (NSHAM) (including Chongqing SMR Huaxiang automotive Products Ltd)	11,192	10,663
Celulosa Fabril (Cefa) S.A. (CEFA) (including Modulos Ribera Alto S.LU.)	18,788	13,411
Eissmann SMP Automotive Interieur Slovensko s.r.o. (Eissmann)	3,613	3,021
Total	33,593	27,095

Summarised financial information of joint ventures

<u>Name of the Company</u>	<u>March 31, 2015</u>			<u>Group's share</u>
	<u>NSHAM</u>	<u>CEFA</u>	<u>Eissmann</u>	
<u>Percentage ownership interest</u>	<u>50%</u>	<u>50%</u>	<u>49%</u>	
Balance Sheet				
Non-current assets	24,894	38,210	6,998	34,981
Current assets	58,399	40,314	7,621	53,091
Gross assets	83,293	78,524	14,619	88,072
Current liabilities	41,140	35,598	8,375	42,473
Non-current liabilities	606	16,105	77	8,388
Gross liabilities	41,746	51,703	8,452	50,861
Net assets	41,547	26,821	6,167	37,211
Group's interest	20,773	13,411	3,021	37,205
Less: foreign currency translation	10,110	—	—	10,110
Carrying value of investment	10,663	13,411	3,021	27,095
Above net assets include				
Cash and cash equivalents	16,972	4,313	2,038	12,434
Current financial liabilities (excluding trade payable and other provisions)	990	2,374	—	3,686
Non-Current financial liabilities (excluding trade payable and other provisions)	—	8,481	—	6,186
Results				
Revenue	79,775	68,300	39,277	110,724
Expense	(73,272)	(61,930)	(37,084)	(101,324)
Profit for the period	6,503	6,370	2,193	9,400
Other comprehensive income	—	—	—	—
Total comprehensive income	6,503	6,370	2,193	9,400
Above results include				
Depreciation and amortisation	(2,073)	(4,252)	(515)	(6,840)
Interest income	—	423	—	426
Interest expense	(34)	(1,112)	—	(1,146)
Income tax expense/ income	(1,110)	(1,122)	(803)	(3,035)

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<u>Name of the Company</u>	March 31, 2016			Group's share
	NSHAM	CEFA	Eissmann	
<u>Percentage ownership interest</u>	<u>50%</u>	<u>50%</u>	<u>49%</u>	
Balance Sheet				
Non-current assets	24,705	41,422	9,633	37,784
Current assets	67,728	51,906	5,911	62,663
Gross assets	92,433	93,328	15,544	100,447
Current liabilities	52,513	43,187	8,054	51,796
Non-current liabilities	904	12,564	117	6,791
Gross liabilities	53,417	55,571	8,171	58,587
Net assets	39,016	37,577	7,373	41,860
Group's interest	19,459	18,788	3,613	41,860
Less: foreign currency translation	8,267	—	—	8,267
Carrying value of investment	11,192	18,788	3,613	33,593
Above net assets include				
Cash and cash equivalents	13,541	14,329	187	14,026
Current financial liabilities (excluding trade payable and other provisions)	—	7,482	—	3,741
Non-Current financial liabilities (excluding trade payable and other provisions)	—	10,846	—	5,423
Results				
Revenue	138,171	110,784	42,044	145,080
Expense	(128,325)	(97,330)	(42,237)	(133,524)
Profit for the period	9,846	13,454	(193)	11,556
Other comprehensive income	—	—	—	—
Total comprehensive income	9,846	13,454	(193)	11,556
Above results include				
Depreciation and amortisation	(3,826)	(5,212)	(805)	(4,913)
Interest income	—	117	—	59
Interest expense	(284)	(677)	—	(481)
Income tax expense/ income	(1,270)	(7,173)	(87)	(4,179)

As the year end, the Group had no contractually fixed capital commitments in relation to its joint ventures.

As at the year end, there are no restrictions on the ability of the joint ventures to transfer funds to the Group. Also there are no contingent liabilities incurred relating to the Group's interest in joint ventures.

A.6.3.5 Associates accounted for using the equity method

Re-Time Pty Ltd. is a technology company which owns certain intellectual property rights through which it designed, developed and commercialised Re-Timer glasses, these glasses intend to reset internal body clock and help overcome jet lag without drug use.

Reconciliation of Group's interest in Re-Time is as below -

	March 31, 2016	March 31, 2015
Opening	307	307
Disposal of investment	—	(49)
Share of Profit	(23)	33
Dividend	(9)	—
Exchange difference	(16)	16
At 31st March	259	307

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The following tables illustrate summarised financial information of Re-Time:

	March 31, 2016		March 31, 2015	
	Group's share	Total	Group's share	Total
RE-TIME balance sheet				
Non-current assets	54	158	89	255
Current assets	94	277	126	359
Gross assets	148	435	215	614
Current liabilities	11	33	15	42
Non-current liabilities	—	—	—	—
Gross liabilities	11	33	15	42
Net assets	137	402	200	572
Group's interest	137		200	
Add : foreign currency translation	122		107	
Carrying value of investment	259		307	
Above net assets include				
Cash and cash equivalents	68	199	58	164
Current financial liabilities (excluding trade payable and other provisions)	—	—	—	—
Non-Current financial liabilities (excluding trade payable and other provisions)	—	—	—	—
RE-TIME results				
Revenue	141	415	269	769
Expense	(164)	(482)	(236)	(673)
Profit / (Loss) for the year	(23)	(67)	33	96
Above results include				
Depreciation and amortisation	—	—	—	—
Interest income	—	—	—	—
Interest expense	—	—	—	—
Income tax expense/ income	—	—	—	—

A.6.3.6 Other financial instruments

	March 31, 2016		March 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Other Financial investments	945	27	1,174	62
Less: Non-current Portion	5	—	5	—
Current Portion	940	27	1,169	62

The maximum exposure to the credit risk is carrying value of instruments. The notional principal amounts of the outstanding forward foreign exchange contracts as on March 31, 2016 is k€ 63,079 (March 31, 2015: k€ 62,430).

A.6.3.7 Inventories

Inventories comprise the following:

	March 31, 2016	March 31, 2015
Raw materials and manufacturing supplies	98,595	94,391
Work in progress	24,280	24,212
Finished goods and goods for trading	42,186	50,107
	165,061	168,710

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During the year, inventories of k€ 2,715 (March 31, 2015: k€ 8,146) were written down. The amounts of the write-down are calculated based on an analysis of various factors. The most important factors included in this analysis are: aging of inventories, current market conditions and turnover of individual items. During the year, the Group recognised reversal of write-down amounting to k€ 1,136 (March 31, 2015: k€ 5,659) as the related goods were sold during the year at prices equal to or above the cost. The amount of such write-down and reversals of write-down are recognised as “Cost of materials” in the statement of profit and loss.

As at March 31, 2016, inventories amounting to k€ 62,828 (March 31, 2015: k€ 88,440) were pledged as security for various bank borrowings. (see note A.6.3.13).

A.6.3.8 Trade receivables, tax receivables and other receivables

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Non Current		
Non current investments	4,769	162
Trade receivables (third parties)	57,564	25,988
Others	5,844	1,775
	(a) 68,177	27,925
Current		
Trade receivables (third parties)	497,354	458,949
	(b) 497,354	458,949
Current tax assets	(c) 779	283
Other receivables		
Receivables from related parties	4,812	5,955
Other tax receivables	24,978	19,751
Deposits	3,715	2,726
Prepaid expenses	11,146	8,152
Advanced payments	19,252	12,987
Supplier bonus	4,527	4,099
Other	15,378	18,403
	(d) 83,808	72,073
Total (a+b+c+d)	650,118	559,230

The carrying amount of the non-current trade receivables as at March 31, 2016 is calculated using discount rates of 0.07%-2.4% (March 31, 2015: 1%-8%).

Other tax receivables mainly comprise receivables from input VAT.

The carrying values approximately correspond to the fair values. Trade receivables as at March 31, 2016 were reported after deducting impairments amounting to k€ 8,407 (March 31, 2015: k€ 7,409). The impairments are reported in the income statement under the item “Other operating expenses”.

A.6.3.8.1 Construction Contracts

The net position of constructions contracts and amount due to/from customers for contract work comprises the following:

	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
For contracts in progress:		
- The aggregate costs incurred and recognised profits (less recognised losses) to date	260,619	223,004
- the amount of advances received;	52,291	47,076
Amount of contract revenue recognised as revenue in the period	416,124	339,054
Gross amount due from customers for contract work as an asset	274,750	223,004
Gross amount due to customers for contract work as a liability	2,629	—

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A.6.3.9 Cash and cash equivalents

	Year ended March 31, 2016	Year ended March 31, 2015
Cash at bank	192,404	184,021
Cash on hand	114	123
	<u>192,518</u>	<u>184,144</u>

There are no contractual or other restrictions on the use of cash and cash equivalents.

A.6.3.10 Shareholder's equity

Share Capital

The authorised share capital of the Company amounts to € 90,000, divided into 90,000 shares with a nominal value of € 1 each. The issued and paid in capital amounts to € 66,176, divided into 66,176 shares with a nominal value of € 1 each.

	Number of equity shares (in No.s)	Share Capital (in €)
As at April 1, 2014	20,500	20,500
Add: Issued during the year	45,676	45,676
As at March 31, 2015	66,176	66,176
Add: Issued during the year	—	—
As at March 31, 2016	<u>66,176</u>	<u>66,176</u>

Currency translation reserve

Currency translation reserve comprises of all foreign exchange differences arising on the translation of the results and financial position of subsidiaries whose functional currencies differ from the Group's reporting currency.

Retained earnings

Retained earnings comprises accumulated profits/ (losses) of the Group and also include actuarial gains / losses arising on post-employment defined benefit plans and related tax impacts.

Merger reserve

The merger reserve represents the differences on consolidation arising on the adoption of predecessor accounting. This comprises the difference between consideration paid and the book value of net assets acquired in the transaction.

Share premium

On June 13, 2014 the Company issued 45,676 shares of € 1 each to Samvardhana Motherson Group Holdings Limited, Cyprus in lieu of acquisition of 98.45% interest in Samvardhana Motherson Reflectec Group Holdings Limited, Jersey for a non-cash consideration of k€ 905,716 consisting of € 45,676 towards share capital and transfer of k€ 12,250 loan from MSSL Mideast (FZE), the remaining amount of k€ 893,420 was recognised as share premium.

A.6.3.11 Provision for pension liabilities

SMP Group mainly operates a defined benefit pension plan in Germany based on employee pensionable remuneration and length of service. The plan is unfunded. The pension plan is closed since 2004. That means that as of this date it was not possible for new members to join the plan.

SMR Group has various defined benefit plans, which consider final salary as well as average salary components in order to determine the benefits for the pensioners. Different pension plans are operated by the Group in UK, Germany, Mexico and South Korea. The schemes in the UK and South Korea are administered by separate trust funds.

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Changes in the present value of the defined benefit pension obligations are analysed as follows:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
As at beginning of the period	34,736	25,284
Current service cost	2,401	1,457
Interest expense	423	1,075
Benefits paid	(17,196)	(1,570)
Actuarial (gains) or losses	(57)	4,432
Foreign currency differences	(1,115)	4,073
Reclassifications	11	(15)
As at end of the period	19,203	34,736
	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Re-measurements:		
- Return on plan assets, excluding amounts included in interest expense	43	3,927
- (Gain)/loss from change in demographic assumptions	(14)	369
- (Gain)/loss from change in financial assumptions	(675)	4,160
- Experience (gains)/losses	632	(87)
- Change in asset ceiling, excluding amounts included in interest exp.	—	(5,794)
Total	(14)	2,575

The amounts recognised in the income statement are analysed as follows:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Recognised in the income statement		
Current service cost	2,401	1,457
Running Costs	8	464
Net benefit expense	2,409	1,921
Other finance costs / Income		
Interest income on scheme assets	(182)	(989)
Effect of limitation of plan assets	—	250
Interest costs on scheme liabilities	423	1,075
Other finance costs (net)	241	336

The pension provisions correspond to each of the defined-benefit obligations at their present value.

The expenses are reported under the item “Finance costs” (under “Interest expenses on defined benefit obligations”) and “Personnel expenses” (under “Pension costs from defined benefit plans”).

The amounts taken to the Statement of Comprehensive Income are as follows:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Actual return on plan assets	139	(2,938)
Expected return on plan assets	(182)	(989)
Actuarial gains and (losses) on plan assets	(43)	(3,927)
Actuarial gains and (losses) on defined benefit obligations	57	(4,432)
Total	14	(8,359)
Effects of the limitation of scheme assets	—	5,784
Actuarial gains and (losses) recognised in the consolidated Statement of Comprehensive Income	14	(2,575)

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The assets and liabilities of the schemes are:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Scheme assets at fair value		
Bonds and gilts and others	7,365	21,911
Cash	—	599
Fair value of scheme assets	7,365	22,510
Defined Benefit Obligation	19,203	34,736
Thereof funded	10,120	22,195
Thereof unfunded	9,083	12,541
Funding status—deficit / (surplus)	11,838	12,226

Changes in the fair value of plan assets are analysed as follows:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
As at beginning of the period	22,510	19,657
Return on plan assets	182	989
Contributions made by the Group	2,316	2,982
Benefits paid	(16,837)	(813)
Running Cost	(8)	(464)
Actuarial gains / (losses) on plan assets	(37)	(3,927)
Foreign currency differences	(761)	4,086
As at end of the period	7,365	22,510

Pension provisions are calculated on the basis of assumptions. The most significant actuarial assumptions were as follows:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Actuarial assumptions		
Rate of salary increases	2.50% - 8%	2% - 7.5%
Rate of increase in pension	1.50% - 2.00%	1.75% to 2.90%
Mortality Table*	—	—
Discount rate	1.70% - 7.90%	1.35% - 7.90%

* Due to the use of different tables at different locations, this information is not disclosed.

The amounts recorded in the balance sheet as a provision for pensions are as follows:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
As at beginning of the period	12,226	10,541
Expense recorded in the period	2,650	2,257
Benefits paid	(359)	(757)
Contributions made by the Group	(2,316)	(2,982)
Amount recognised in Consolidated Statement of Comprehensive		
Income	(14)	2,575
Foreign currency differences	(350)	607
Other (reclassification and net transfer out)	1	(15)
As at end of the period	11,838	12,226
Thereof recorded as a provision	19,203	34,736
Thereof recorded as an asset	7,365	22,510

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Sensitivity of the Defined Benefit Obligation

As on March 31, 2016

	<u>Impact on defined benefit obligation</u>		
	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
Discount rate	0.5%	(1,166)	1,300
Salary growth rate	0.5%	670	(619)
Pension growth rate	0.5%	366	(248)
	<u>Increase by 1 year in assumption</u>	<u>Decrease by 1 year in assumption</u>	
Life expectancy	320	(319)	

Expected contributions to post-employment benefit plans for the year ending March 31, 2017 are k€ 2,399.

Defined contribution plans

During the year, the Company recorded an expense of k€ 19,983 (March 31, 2015: k€ 17,644) towards defined contribution plans. The expenses are included in income statement under Personnel Expenses.

A.6.3.12 Other provisions

	<u>Warranties</u>	<u>Personnel related</u>	<u>Others</u>	<u>Total</u>
At April 1, 2014	10,286	843	1,670	12,799
Arising during the year	9,523	198	1,598	11,319
Utilised	(7,415)	(81)	(404)	(7,900)
Reversal of unused amounts	(629)	—	(8)	(637)
Foreign currency differences	935	(73)	49	911
At March 31, 2015	12,700	887	2,905	16,492
Current	11,461	137	2,209	13,807
Non-current	1,239	750	696	2,685
	<u>12,700</u>	<u>887</u>	<u>2,905</u>	<u>16,492</u>
At April 1, 2015	12,700	887	2,905	16,492
Arising during the year	8,509	2,642	1,399	12,550
Utilised	(4,675)	(23)	(964)	(5,662)
Reversal of unused amounts	(360)	—	(617)	(977)
Foreign currency differences	(620)	(125)	(156)	(901)
At March 31, 2016	15,554	3,381	2,567	21,502
Current	14,384	2,492	2,567	19,443
Non-current	1,170	889	—	2,059
	<u>15,554</u>	<u>3,381</u>	<u>2,567</u>	<u>21,502</u>

Warranties

A provision is recognised for expected warranty claims on products previously, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

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Personnel related provisions

Personnel related provisions mostly comprise accruals for miscellaneous employee cost.

Others

Other provisions are related to accruals for litigations, site restoration expenses for removing the asset and/or restoring the site and other miscellaneous items

A.6.3.13 Financial liabilities

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Non-current financial liabilities		
Liabilities to bank	594,389	503,262
Finance lease liabilities	6,475	10,936
Total non-current financial liabilities	<u>600,864</u>	<u>514,198</u>
Current financial liabilities		
Liabilities to bank	86,714	63,396
Finance lease liabilities	6,897	7,745
Total current financial liabilities	<u>93,611</u>	<u>71,141</u>

Liabilities to banks mainly comprise the € 500 million and € 100 million Senior Secured Notes issued during the financial year ended March 31, 2015 and March 31, 2016 respectively to refinance the existing debts in the Group and general corporate purposes including capital expenditure.

The liabilities to banks include secured liabilities to banks and financial institutions of k€ 681,112 (March 31, 2015: k€ 566,658) as well as secured finance lease liabilities of k€ 13,372 (March 31, 2015: k€ 18,681). Liabilities to banks are secured by Intangible Assets, Property, plant and equipment, joint venture, inventory, trade receivables as well as cash and cash equivalents (see note A.6.3.1, A.6.3.2, A.6.3.4, A.6.3.7, A.6.3.8, A.6.3.9 respectively), finance lease are secured by land and buildings as well as technical plant and machinery (see note A.6.3.2).

For maturity profile of liabilities to bank and finance lease liabilities see note A.6.6.4.

The details of financial liabilities towards banks and financial institutions outstanding at year end are as follows:

As at March 31, 2016

<u>Particulars</u>	<u>Loan Amount</u>	<u>Interest Rates</u>	<u>Current</u>	<u>Non-Current</u>	<u>Maturity</u>
Term loan from banks	9,190	Euribor+1.55%	9,190	—	28-Mar-20
	1,368	10.50%	497	871	29-Oct-18
	358	1.50%	195	163	31-Dec-17
Senior Secured Notes	487,831	4.125%	—	487,831	15-Jul-21
Senior Secured Notes	97,892	3.70%	—	97,892	18-Jun-25
Term loan from others	579	0%	—	579	30-Jun-96
	550	11%	62	488	30-Jun-22
	316	5.00%	—	316	11-Feb-23
	57	4.87%	57	—	11-Feb-23
	129	4.87%	11	118	31-Dec-23
	469	5.37%	—	469	30-Jun-26
	3,978	4.96%	830	3,148	31-Dec-20
	359	0%	35	324	30-Jun-25
	636	0%	62	574	30-Jun-25
	580	0%	—	580	31-Jul-26
	1,274	3.95%	238	1,036	30-Nov-22
Working capital loans	75,537	Varied	75,537	—	On demand
	<u>681,103</u>		<u>86,714</u>	<u>594,389</u>	

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As at March 31, 2015

<u>Particulars</u>	<u>Loan Amount</u>	<u>Interest Rates</u>	<u>Current</u>	<u>Non-Current</u>	<u>Maturity</u>
Term loan from banks	7,762	Euribor+3.25%	262	7,500	10-Jul-19
	2,097	11%	559	1,538	1-Oct-18
	388	2%	49	339	31-Dec-17
Senior Secured Notes	485,525	4.125%	—	485,525	15-Jul-21
Term loan from others	610	0%	—	610	—
	865	4.87%~5.37%	48	817	30-Jun-26
	681	11%	61	620	30-Jun-22
	3,388	0%	527	2,861	30-Jun-20
	345	0%	—	345	30-Jun-25
	619	0%	—	619	30-Jun-25
	587	3.95%	—	587	31-Jul-26
	1,901	0%	—	1,901	30-Nov-22
Working capital loans	61,890	Varied	61,890	—	On demand
	<u>566,658</u>		<u>63,396</u>	<u>503,262</u>	

The Group has financial covenants requirements (see note A.6.6.4), which all have been met.

Issue of Senior Secured Notes and Revolving Credit Facilities

a. Issue of senior secured notes on July 15, 2014

During the year ended March 31, 2015, the Company issued Euro 500,000,000 4.125% Senior Secured Notes due 2021 (the “2021 Notes”). The Notes bear interest at a rate of 4.125% payable semi-annually on January 15 and July 15 of each year and will mature on July 15, 2021. The Notes are listed on the Irish Stock Exchange and trade on the Global Exchange Market of the Exchange.

The 2021 Notes carry a prepayment option and as per the terms of the indenture the Subsidiary may at any time on or after July 15, 2017, redeem all or part of the 2021 Notes by paying the redemption prices set forth in the indenture. Prior to July 15, 2017, the Subsidiary is entitled at its option, to redeem all or a portion of the 2021 Notes by paying 100% of the principal amount of such 2021 Notes, plus accrued and unpaid interest, if any, plus a “make-whole” premium. In addition, prior to July 15, 2017, the Subsidiary may redeem, at its option, up to 35% of the Notes with the net proceeds from certain equity offerings.

The 2021 Notes are structured as senior secured obligations and will rank ‘pari passu’ in right of payment with all the existing and future senior obligations of SMRP BV, including the obligations under the Revolving Credit Facility and the Secondary Revolving Credit Facility. The 2021 Notes are guaranteed on a senior secured basis by certain subsidiaries of SMRP BV and are secured by share pledge and security interests granted over certain property and assets of SMRP BV and certain of its subsidiaries.

As at March 31, 2016 these bonds were trading at 98.249% (March 31, 2015 : 102.397%)

b. Issue of senior secured notes on June 18, 2015

During the year ended March 31, 2016, the Company issued Euro 100,000,000 3.70% Senior Secured Notes due 2025 (the “Notes”). The Notes bear interest at a rate of 3.70% payable annually on June 18 of each year and will mature on June 18, 2025. The Notes are listed on the Irish Stock Exchange and trade on the Global Exchange Market of the Exchange.

The Notes carry a prepayment option and as per the terms of the indenture the Company may at any time on or after June 18, 2025, redeem all or a portion of the Notes by paying 100% of the principal amount of such Notes, plus accrued and unpaid interest, if any, plus a “make-whole” premium. In addition, prior to June 18, 2025, the Company may redeem, at its option, up to 35% of the Notes with the net proceeds from certain equity offerings.

The Notes are structured as senior secured obligations and will rank pari passu in right of payment with all the existing and future senior obligations of SMRP BV, including the obligations under 2021 Notes and the Revolving Credit Facilities. The Notes are guaranteed on a senior secured basis by certain subsidiaries of SMRP BV and are secured by share pledge and security interests granted over certain property and assets of SMRP BV and certain of its subsidiaries.

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The gross proceeds from the issuance of the Notes was utilized, after meeting initial notes issue expenses, for general corporate purposes, including to make certain capital expenditures amounting to € 96.0 million.

As at March 31, 2016 these bonds were trading at 86.25%.

c. Revolving credit facility

SMRP BV also entered into a new Revolving Credit Facility Agreement with a consortium of banks around the date of issue of the Notes in order to replace the earlier Revolving Facility Agreement entered into during financial year ended March 31, 2015. SMRP BV is the original borrower under the Revolving Credit Facility Agreement. The Revolving Credit Facility Agreement is guaranteed by the Guarantors, and will benefit from the same collaterals as the Notes. The Revolving Credit Facility Agreement establishes revolving facility that provides for borrowing of an aggregate principal amount of up to €350.0 million (the “Revolving Credit Facility”) available for financing working capital and general corporate needs of SMRP BV and its subsidiaries as well as any permitted acquisitions and capital expenditure and funding any fees, costs and expenses. Tranche A of the Revolving Facility Agreement amounting to € 250.0 million matures in 2020 and Tranche B of the Revolving Facility Agreement amounting to € 100.0 million matures in 2018.

A.6.3.14 Liabilities to related parties

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Current		
Other liabilities	19,771	18,458
	19,771	18,458

For details on related party transaction see note A.6.6.6.

A.6.3.15 Trade payables, tax liabilities and other liabilities

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Non Current		
Advance received from customers	15,353	18,072
Deferred revenue	649	2,288
Liabilities towards employees	9,312	8,662
Others	973	2,662
	(a) 26,287	31,684
Current		
Trade payables	(b) 574,468	566,402
Current tax Liabilities	(c) 8,446	17,843
Other Liabilities		
Advance received from customers	31,559	32,959
Liabilities towards employees	65,284	55,727
Other Tax Liabilities	44,617	30,980
Social security	2,363	3,644
Deferred revenue	5,016	13,634
Interest accrued but not due on borrowings	7,442	4,716
Accruals	6,248	8,753
Others	12,558	11,839
	(d) 175,087	162,252
Total (a+b+c+d)	784,288	778,181

Trade payables include liabilities arising out of contract work towards outstanding invoices from suppliers for contract work for customers as well as outstanding work to be performed with respect to engineering contracts charged to the customer after acceptance.

Liabilities towards other taxes mainly comprise liabilities from VAT.

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A.6.3.16 Investment in subsidiaries

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held, except as disclosed. The parent company does not have any shareholdings in the preference shares, if any, of subsidiary undertakings included in the group.

The group has non-controlling interest in the following subsidiaries:

Entity name	Country	Capital share	Minority shares	Voting rights
Samvardhana Motherson Reflectec Group Holdings Limited	Jersey	98.45%	1.45%	98.45%
SMR Automotive Systems India Limited (held by SMR Cyprus)	India	51%	49%	51%
SMR Poong Jeong Automotive Mirrors Korea Limited (held by SMR Holding Deutschland)	South Korea	89.86%	10.14%	89.86%
SMR Grundbesitz GmbH & Co KG (held by SMR Holding Deutschland)	Germany	93.07%	6.93%	93.07%
SMP Deutschland GmbH (held by SMP GmbH)	Germany	94.80%	5.20%	94.80%
Changchun Peguform Automotive Plastics Technology Ltd. (held by SMP Deutschland)	China	50%	50%	50%+1*
Foshan Peguform Automotive Plastics Technology Co. Ltd. (held by CPAT)	China	100%	—	100%
SM Real Estate GmbH (held by SMP AE)	Germany	94.80%	5.20%	94.80%

* SMP Deutschland GmbH has 50% of the voting rights plus one additional vote.

The non-controlling interest in respect of SMR Automotive Systems India Limited (SMR India), Changchun Peguform Automotive Plastics Technology Ltd. (CPAT) and Foshan Peguform Automotive Plastics Technology Co. Ltd. (FPAT) is only considered to be material.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the group.

Summarised balance sheet and income statement

Name of the Company	March 31, 2016			March 31, 2015		
	CPAT	FPAT	SMR India	CPAT	FPAT	SMR India
Balance Sheet						
Non-current assets	33,548	6,747	11,116	36,277	8,071	9,268
Current assets	102,045	2,642	25,390	100,713	3,383	18,352
Gross assets	135,593	9,389	36,506	136,990	11,454	27,620
Current liabilities	50,691	5,919	17,708	54,058	7,293	11,006
Non-current liabilities	—	—	2,438	—	645	2,642
Gross liabilities	50,691	5,919	20,146	54,058	7,938	13,648
Net assets	84,902	3,470	16,360	82,932	3,516	13,972
Results						
Revenue	197,185	4,048	67,036	222,169	7,746	48,176
Expense	(171,939)	(3,753)	(62,938)	(189,721)	(7,579)	(46,991)
Profit for the period	25,246	295	4,098	32,448	167	1,185
Other Comprehensive Income	—	—	—	—	—	—
Total Comprehensive Income	25,246	295	4,098	32,448	167	1,185
Dividends paid to non-controlling interest	6,201	—	—	11,976	—	—
Profit for the year attributable to non-controlling interest	12,434	147	2,008	15,828	(278)	581
Accumulated non-controlling interest	44,044	49	8,801	43,265	55	6,792

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Summarised cash flows

Name of the Company	March 31, 2016			March 31, 2015		
	CPAT	FPAT	SMR India	CPAT	FPAT	SMR India
Cash flows from Operating Activities						
Cash generated from operations	38,525	(620)	3,892	28,215	2,942	4,735
Interest paid	133	5	314	20	1	(347)
Income tax paid	(4,448)	(42)	(1,969)	(5,376)	(53)	(666)
Net cash generated from operating activities	34,210	(657)	2,237	22,859	2,890	3,722
Net cash used in investing activities	(707)	715	(3,440)	(9,816)	(3,166)	(1,376)
Net cash used in financing activities	(13,597)	—	886	(23,951)	—	(2,311)
Net (decrease)/increase in cash and cash equivalents	19,906	58	(317)	(10,908)	(276)	35
Cash, cash equivalents and bank overdrafts at beginning of year	12,902	852	811	20,934	938	781
Exchange gains/(losses) on cash and cash equivalents	(3,063)	(85)	(4)	2,876	190	74
Cash and cash equivalents at end of year	29,745	825	490	12,902	852	890

The information above is the amount before inter-company eliminations.

A.6.4 Disclosures regarding the Consolidated Income Statement

A.6.4.1 Revenues

	Year ended March 31, 2016	Year ended March 31, 2015
Sale of products	3,596,600	3,145,013
Sale of tooling	416,124	339,054
Total	4,012,724	3,484,067

A.6.4.2 Changes in inventories

	Year ended March 31, 2016	Year ended March 31, 2015
Opening stock of finished goods	48,890	37,979
work-in-progress	24,212	19,005
Less: closing stock of finished goods	(41,220)	(48,890)
work-in-progress	(24,281)	(24,212)
Total	7,601	(16,118)

A.6.4.3 Other operating income

	Year ended March 31, 2016	Year ended March 31, 2015
Subsidies /Income from investment Grants	5,359	3,851
Income from development work and other recoveries from Customers	5,153	8,225
Rental income	976	1,181
Royalty income	2,069	1,624
Gain from the sale of property, plant and equipment and Intangible assets	661	585
Provisions written back/Gain on reversal of bad debt allowance	390	884
Gain on bargain purchase	—	13,329
Other Income*	28,683	48,425
Total	43,291	78,104

* Other Income includes insurance proceeds for fire at Polinya plant of k€ 9,156 (March 31, 2015: k€ 20,546) to recover the fixed costs which are included under other operating expenses.

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A.6.4.4 Cost of materials

	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Raw Material	2,564,913	2,340,498
Total cost of materials	<u>2,564,913</u>	<u>2,340,498</u>

A.6.4.5 Personnel expenses

	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Wages and salaries	558,753	455,336
Paid labour rendered by third parties	129,279	102,347
Social security costs	94,995	78,062
Pensions costs from defined benefit plans	2,401	1,457
	<u>785,428</u>	<u>637,202</u>

The number of employees (headcounts) was as follows:

	<u>Year ended March 31, 2016 No's.</u>	<u>Year ended March 31, 2015 No's.</u>
Non Production Personnel	8,056	6,917
Production Personnel	14,318	14,380
Total	<u>22,373</u>	<u>21,297</u>

A.6.4.6 Depreciation and amortization

	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Depreciation of property, plant and equipment	92,438	78,481
Depreciation on investment properties	268	267
Amortisation of intangible assets	10,593	8,249
Impairment loss (refer note A.6.3.2)	18,640	—
Total	<u>121,939</u>	<u>86,997</u>

A.6.4.7 Other operating expenses

	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
General administration expenses*	137,702	124,086
Energy	65,009	58,609
Repairs and maintenance	74,835	55,672
Rent and lease	43,462	36,010
Freight and forwarding	39,963	33,990
Bad debts/advances written off	2,734	1,160
Auditors remuneration	5,357	4,192
Net foreign exchange loss	4,746	2,273
Legal and professional expenses	32,432	25,104
Total	<u>406,240</u>	<u>341,096</u>

* Expenses during March 31, 2016 includes k€ 8,593 (March 31, 2015: k€ 15,243) to recover the fixed assets due to fire at Polinya Plant.

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A.6.4.8 Financial costs and income

	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Interest Income	2,136	1,781
Total finance income	2,136	1,781
Interest expenses finance leases	985	1,285
Foreign exchange loss	5,665	234
Interest expense on borrowings	33,434	38,903
Interest expense on defined benefit obligations	423	1,075
Total finance cost	40,507	41,497

Foreign exchange loss contain amounts from the revaluation of foreign currency financial liabilities.

A.6.4.9 Share of the profits or loss of joint ventures accounted for using the equity method

	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Share of after-tax profits of joint venture accounted for under the equity method	11,556	9,400

Section A.6.3.4 contains further details related to the participation in joint ventures.

A.6.4.10 Share of the profits or loss of associates accounted for using the equity method

	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Share of after-tax profits/(losses) of associate accounted for under the equity method	(23)	33

Section A.6.3.5 contains further details related to the participation in associates.

A.6.5 Income taxes

Deferred income taxes are calculated using the balance-sheet based liability method. Deferred tax assets and liabilities are recognised for all temporary differences between the carrying amount of an asset or liability and the values used for taxation purposes. Deferred tax assets are also recognised for tax-loss carry forwards to the extent it is probable that future taxable profits will be available. For this reason, the recognition of all deferred tax assets based on tax losses is carried out with suitable consideration given to their realisation. Deferred taxes are determined on the basis of tax rates that have been enacted or substantially enacted by the end of the reporting period.

The income tax credit/expense for the year comprises the following:

	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Current Year	49,104	38,388
Prior year adjustments	1,196	335
Current Tax expense	50,300	38,723
Development and reversal of temporary differences	(3,712)	(6,650)
Prior year adjustments	(147)	(299)
Effect of reported tax losses	(17,210)	(1,376)
Others	(104)	(196)
Deferred tax (expense)/credit	(21,173)	(8,521)
Total income taxes	29,127	30,202

There is no significant change in corporate tax rates, in jurisdictions where group operates, having material impact on current charge and future adjustment to the carrying amounts of assets and liabilities.

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This statement enables the expected tax expense to be reconciled with the effective tax expense reported.

<u>Reconciliation of the effective tax rate</u>	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Earnings before income tax	143,056	142,213
Tax on profit	35,911	35,553
Foreign tax rate differential	(1,184)	(1,557)
Unrecognised Tax Losses	8,871	6,999
Utilisation of tax losses carry forward / Tax Credit	(17,260)	(2,342)
Prior year adjustments	1,974	(98)
Non-deductible expenses and non-taxable income	4,664	(4,873)
Withholding Tax	723	(1,322)
Other	(4,572)	(2,158)
Income tax expense	29,127	30,202

Tax calculated at domestic tax rates applicable in the respective countries. The weighted average applicable tax rate was 20% for the year ended March 31, 2016 (March 31, 2015: 21%). The movement in weighted average tax rate is mainly on account of variation in profitability of the Group's subsidiaries in the respective countries.

Capitalised deferred tax assets and deferred tax liabilities have been allocated to individual items as per the following table:

<u>Deferred Tax Assets</u>	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Provisions	6,118	5,403
Property, plant and equipment	2,716	2,697
Receivable / Accruals	6,226	4,906
Inventories	1,168	1,398
Tax Value of Reported Loss carry forwards	23,307	8,136
Others	(155)	(69)
Total	39,380	22,471

<u>Deferred Tax Liability</u>	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Intangible assets	7,561	9,460
Property, plant and equipment (Including Finance Lease Liability)	39,810	40,617
Government grants	81	250
Pension	(37)	—
Others	907	1,215
Total	48,322	51,542

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Deferred tax assets:		
- Deferred tax assets to be recovered after 12 months	29,189	14,429
- Deferred tax assets to be recovered within 12 months	10,191	8,042
	39,380	22,471
Deferred tax liabilities:		
- Deferred tax liabilities to be settled after 12 months	46,713	52,621
- Deferred tax liabilities to be settled within 12 months	1,609	(1,079)
	48,322	51,542

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The expiry date of unused tax losses is as below:

<u>Expiring in financial year ending on</u>	<u>Unused tax losses</u>
31 March 2017	5,817
31 March 2018	6,024
31 March 2019	4,460
31 March 2020	5,953
31 March 2021	3,816
31 March 2022	2,548
31 March 2023	5,768
31 March 2024	5,981
31 March 2025	8,571
31 March 2026	13,143
31 March 2027	16,170
31 March 2028	208
31 March 2029	19,280
31 March 2030	39,916
31 March 2031	122
31 March 2032	1,599
No expiry date	179,393
Total	<u>318,769</u>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<u>As at April 01, 2015</u>	<u>Charged/(credited) to the income statement</u>	<u>Charged/(credited) to other comprehensive income</u>	<u>Acquisition on business combination</u>	<u>Exchange differences</u>	<u>As at March 31, 2016</u>
Deferred tax assets						
Provisions	5,403	793	—	—	(78)	6,118
Property, plant and equipment	2,696	759	—	—	(739)	2,716
Receivable / Accruals	4,906	1,481	—	—	(160)	6,227
Inventories	1,399	(488)	—	—	257	1,168
Tax Value of Reported Loss carryforwards	8,137	15,949	—	—	(778)	23,308
Others	(70)	11	(46)	—	(52)	(157)
Total deferred tax assets	22,471	18,505	(46)	—	(1,550)	39,380
Deferred tax liabilities						
Intangible assets	9,461	(1,893)	—	—	(6)	7,562
Property, plant and equipment (Including finance lease liability)	40,617	(206)	—	—	(601)	39,810
Government grants	250	(173)	—	—	3	80
Pension	—	(37)	—	—	1	(36)
Others	1,214	(359)	—	—	51	906
Total deferred tax liabilities	51,542	(2,668)	—	—	(552)	48,322

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	As at April 01, 2014	Charged/(credited) to the income statement	Charged/(credited) to other comprehensive income	Acquisition on business combination	Exchange differences	As at March 31, 2015
Deferred tax assets						
Provisions	6,443	(1,734)	—	—	694	5,403
Property, plant and equipment	460	1,907	—	—	329	2,696
Receivable / Accruals	1,510	3,192	—	—	204	4,906
Inventories	1,030	204	—	—	165	1,399
Tax Value of Reported Loss carryforwards	3,669	4,190	—	—	278	8,137
Others	1,729	(1,856)	272	—	(215)	(70)
Total deferred tax assets	14,841	5,903	272	—	1,455	22,471
Deferred tax liabilities						
Intangible assets	8,894	(1,285)	—	1,973	(121)	9,461
Property, plant and equipment (Including Finance Lease Liability)	35,652	1,799	—	1,798	1,368	40,617
Government grants	64	(99)	—	—	285	250
Pension	(7)	7	—	—	—	—
Others	4,831	(3,040)	—	—	(577)	1,214
Total deferred tax liabilities	49,434	(2,618)	—	3,771	955	51,542

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets of k€ 54,751 (March 31, 2015: k€ 68,873) in respect of losses amounting to k€ 310,173 (March 31, 2015: k€ 300,171) that can be carried forward against future taxable income.

Deferred income liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of k€ 316,687 as on March 31, 2016 (March 31, 2015: k€ 214,543) of subsidiaries, joint ventures and associates.

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A.6.6 Other disclosures
A.6.6.1 Financial instruments

The following table shows the carrying amounts and fair values of the Group's financial instruments

Financial instruments	Category according to IAS 39	Carrying Amt. March 31, 2016	Measurement according to IAS 39		Measurement according to IAS 17 or IAS 11	Fair Value March 31, 2016	Not in Scope
			At fair value	Amortised cost			
Assets							
Other investments	Afs	4,769	4,769	—	—	4,769	—
Trade receivables	LaR	554,918	—	365,969	188,949	365,969	—
Receivables from joint ventures and related parties	LaR	4,812	—	4,812	—	4,812	—
Other receivables	LaR	84,839	—	57,873	—	57,873	26,966
Derivative Financial Instruments	FVPL	945	940	5	—	945	—
Cash and cash equivalents	LaR	192,518	—	192,518	—	192,518	—
Liabilities							
Interest bearing loans and borrowings - non-current							
Liabilities to banks	FLAC	594,389	—	594,389	—	594,389	—
Finance lease liabilities	FLAC	6,475	—	—	6,475	2,844	—
Liabilities to related parties - non-current	FLAC	—	—	—	—	—	—
Interest bearing loans and borrowings - current							
Liabilities to banks	FLAC	86,714	—	86,714	—	86,714	—
Finance lease liabilities	FLAC	6,897	—	—	6,897	5,211	—
Trade payables	FLAC	574,468	—	574,468	—	574,468	—
Liabilities to joint ventures and related parties - current	FLAC	19,771	—	19,771	—	19,771	—
Derivative Financial Instruments	FVPL	27	27	—	—	27	—
Other liabilities	FLAC	201,372	—	111,882	—	111,882	89,490
Thereof: aggregated by category according to IAS 39							
Loans and Receivables (LaR)		837,087	—	621,172	188,949	621,172	26,966
Available-for-Sale Financial Assets (Afs)		4,769	4,769	—	—	4,769	—
Financial liabilities carried at fair value through profit or loss (FVPL)		918	913	5	—	918	—
Financial liabilities measured at amortised cost (FLAC)		1,490,086	—	1,387,224	13,372	1,395,279	89,490

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Financial instruments	Category according to IAS 39	Carrying Amt. March 31, 2015	Measurement according to IAS 39		Measurement according to IAS 17 or IAS 11	Fair Value March 31, 2015	Not in Scope
			Amortised cost	At fair value			
Assets							
Other investments	Afs	167	—	167	—	167	
Trade receivables	LaR	484,937	334,513	—	150,424	334,513	
Receivables from joint ventures and related parties	LaR	5,955	5,955	—	—	5,955	
Other receivables	LaR	29,055	29,055	—	—	29,055	39,121
Derivative Financial Instruments	FVPL	1,169	—	1,169	—	1,169	
Cash and cash equivalents	LaR	184,144	184,144	—	—	184,144	
Liabilities							
Interest bearing loans and borrowings - non-current							
Liabilities to banks	FLAC	503,262	503,262	—	—	503,262	
Finance lease liabilities	FLAC	10,936	—	—	10,936	10,936	
Liabilities to related parties - non-current	FLAC	—	—	—	—	—	
Interest bearing loans and borrowings - current							
Liabilities to banks	FLAC	63,396	63,396	—	—	63,396	
Finance lease liabilities	FLAC	7,745	—	—	7,745	7,745	
Trade payables	FLAC	566,402	566,402	—	—	566,402	
Liabilities to joint ventures and related parties - current	FLAC	18,458	18,458	—	—	18,458	
Derivative Financial Instruments	FVPL	62	—	62	—	62	
Other liabilities	FLAC	92,333	92,333	—	—	92,333	101,604
Thereof: aggregated by category according to IAS 39							
Loans and Receivables (LaR)		704,091	553,667	—	150,024	553,667	39,121
Available-for-Sale Financial Assets (Afs)		167	—	167	—	167	
Financial liabilities carried at fair value through profit or loss							
(FVPL)		1,107	—	1,107	—	1,107	
Financial liabilities measured at amortised cost (FLAC)							
		1,262,532	1,243,851	—	18,681	1,262,532	101,604

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Due to the short-term nature of cash and cash equivalents and the short-term maturities of trade receivables and liabilities and other current receivables and liabilities, their fair values are equal to their carrying amounts.

Due to the short-term nature of cash and cash equivalents and the short-term maturities of trade receivables and liabilities and other current receivables and liabilities, their fair values are equal to their carrying amounts.

A description of the Group's financial instrument risks, including risk management objectives and policies is given in note A.6.6.4.

The following table shows the net gains and losses from the financial instruments recognised in the income statement.

<u>Net gains or losses</u>	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Receivables and payables	(1,833)	(317)
Financial liabilities measured at amortised cost	25,924	16,932

Net gains and losses from Receivables and payables are included in other operating income and expenses. Net gains and losses from financial instruments measured at amortised cost are part of finance cost and income.

Interest income and interest expense for financial assets and financial liabilities

	<u>Year ended March 31, 2016</u>	<u>Year ended March 31, 2015</u>
Receivables and payables	2,136	1,781
Financial liabilities measured at amortised cost	(34,842)	(41,263)

Interest incomes from receivables are included in interest income, interest expense for financial liabilities measured at amortised cost are included in interest expense.

A.6.6.1.1 Financial instruments

The following table present the Group's financial assets and liabilities that are measured at fair value:

<u>Financial instruments</u>	<u>Fair Value March 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Available-for-Sale Financial Assets (Afs)	4,769	155	4,615	—
Derivative Financial Instruments	940	—	940	—
Liabilities				
Derivative Financial Instruments	27	—	27	—
<u>Financial instruments</u>	<u>Fair Value March 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Available-for-Sale Financial Assets (Afs)	167	138	29	—
Derivative Financial Instruments	1,169	—	1,169	—
Liabilities				
Derivative Financial Instruments	62	—	62	—

Due to the short-term nature of cash and cash equivalents and the short-term maturities of trade receivables and liabilities and other current receivables and liabilities, their fair values are equal to their carrying amounts.

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Valuation of financial assets

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise of equity instruments classified as available for sale. Quoted market prices are used to value Level 1 instruments.

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Entity's Level 2 instruments comprise of forward contracts relating to foreign currency and commodities. The fair value of forward foreign contracts is determined using forward rates at the balance sheet date, with the resulting value discounted back to present value.

(c) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Group's Level 3 instruments represent investment in unlisted equity instruments.

A.6.6.1.2 Offsetting Financial Assets and Financial Liabilities:

The following table present the Group's financial assets and liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements:

As on March 31, 2016

Financial Assets

	<u>Gross amounts of recognised financial assets</u>	<u>Gross amounts of recognised financial liabilities set off in the Balance sheet</u>	<u>Net amounts of financial assets presented in the balance sheet</u>
Trade receivables	604,580	49,662	554,918

As on March 31, 2015

Financial Assets

	<u>Gross amounts of recognised financial assets</u>	<u>Gross amounts of recognised financial liabilities set off in the Balance sheet</u>	<u>Net amounts of financial assets presented in the balance sheet</u>
Trade receivables	528,803	43,866	484,937

A.6.6.2 Contingent Liabilities

In the ordinary course of business activities, the Group may be contingently liable for litigation and claims with customers, suppliers, former employees and other parties. In addition, the Group may be, or could become, liable to incur environmental remediation costs to bring environmental contamination levels back within acceptable legal limits.

On an on-going basis, the Group assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. The required provision may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

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The tax position taken by the Group with respect to certain transactions and calculations may be challenged by tax authorities for reasons including transfer pricing, the availability of deductions for interest expense and other deductible items, the treatment of acquisition, refinancing and reorganization transactions, intercompany funding arrangements, the application and effect of tax “holidays” and the calculation of deferred tax assets and liabilities. The Group does not expect any significant cash outflow in respect of these contingencies.

As at the year end, the Group has following contingent liabilities:

	<u>As at March 31, 2016</u>	<u>As at March 31, 2015</u>
Indirect tax matters	46	1,042
Direct tax matters	96	119
Others (refer note below)	1,772	43
Total	<u>1,914</u>	<u>1,204</u>

As at March 31, 2016 the group may be potentially liable to the fee of an amount equivalent to € 1.7 million to the Industrial Zone as per the terms of the contract entered into by one of its subsidiary. The Industrial Zone has so far not made any claim with respect to the fee and as per the independent legal advice obtained by the subsidiary, any such claim may be regarding as unfair and may not be accepted in whole or part by the competent court of law. Since it is not yet confirmed whether the subsidiary will have an obligation to pay in the future, no liability has been recognised in respect of such amount in the books of accounts for the year ended March 31, 2016.

Capital expenditure commitments

The group has outstanding capital expenditure commitments which represents outstanding amount of contracts for capital expenditure against which work is yet to be executed by the contractor or supplies to be received. Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Property, plant and equipment (net of advances)	35,352	42,589

A.6.6.3 Operating Segment Information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (“CODM”) in taking strategic decisions. Those operating segments are SMR Group and SMP Group which are also the reportable segments.

SMR Group

SMR Group develops and produces a wide range of exterior mirrors from simple prismatic versions up to complex multi-function systems. In addition to the mirror technology, the Group develops and produces driver assistance systems such as detection systems in the door mirror for monitoring blind spots or mirror turn signals. It has production facilities and engineering centres in 14 countries across the globe.

SMP Group

SMP Group supplies plastic parts and system modules for vehicle interiors and exteriors. Products for vehicle interiors include in particular interior door panels and dashboards. For exteriors, bumpers and other bodywork components are manufactured. The product range encompasses individual parts and complete modules, with engineering and tooling services also being provided. It has production facilities and engineering centres in 7 countries across the globe.

SMP includes business of SMIA which was acquired last year. The company develops and manufactures profiles and moulded parts made of thermoplastics, and hybrid components made of metal and plastic providing uninterrupted services to its customers. Due to strong synergies between product portfolio and manufacturing technologies, SMIA is considered as part of SMP for the purpose of review by the Chief Operating Decision Makers (“CODM”) in taking strategic decisions.

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The CODM considers revenues from external parties, EBITDA, profit before taxes and assets of each of the segments in taking strategic decisions. These amounts are measured in a manner consistent with that of the financial statements. Segment assets comprise of trade receivables, inventories and cash and cash equivalents. Geographically, the CODM considers the performance of sales in the Americas, Europe, and Asia Pacific.

Transfer prices for transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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	March 31, 2016			March 31, 2015				
	SMR	SMP	Unallocated / Inter-segment eliminations	Total	SMR	SMP	Unallocated / Inter-segment eliminations	Total
Segment revenue:								
Sales to external customers	1,395,852	2,617,562	(690)	4,012,724	1,238,326	2,246,068	(327)	3,484,067
Total revenue	1,395,852	2,617,562	(690)	4,012,724	1,238,326	2,246,068	(327)	3,484,067
Results:								
EBITDA	145,438	146,395	—	291,833	121,127	138,366	—	259,493
Depreciation and amortization	(36,497)	(85,442)	—	(121,939)	31,126	55,871	—	86,997
Operating profit	108,941	60,953	—	169,894	90,001	82,495	—	172,496
Interest Income	1,350	2,201	(1,415)	2,136	1,398	3,657	(3,274)	1,781
Interest expense	(7,161)	(34,761)	1,415	(40,507)	(10,205)	(34,566)	3,274	(41,497)
Share of profit from joint venture	4,924	6,632	—	11,556	3,251	6,149	—	9,400
Share of profit from associate	(23)	—	—	(23)	33	—	—	33
Profit before tax	108,031	35,025	—	143,056	84,478	57,735	—	142,213
Income Taxes	(26,290)	(2,837)	—	(29,127)	(18,383)	(11,819)	—	(30,202)
Profit after tax	81,741	32,188	—	113,929	66,095	45,916	—	112,011
Segment assets:								
Inventory, Debtors and Cash	254,325	658,181	(9)	912,497	289,653	548,139	—	837,792
Others	411,082	1,631,017	(970,231)	1,071,868	344,249	1,570,830	(955,169)	959,910
Total assets	665,407	2,289,198	(970,240)	1,984,365	633,902	2,118,969	(955,169)	1,797,702
Other items:								
Capital expenditure	74,384	157,005	—	231,389	54,231	163,424	—	217,655
Capital expenditure due to business combination	—	—	—	—	—	33,029	—	33,029
Investment in joint venture	11,192	22,401	—	33,593	10,663	16,432	—	27,095
Investment in associate	259	—	—	259	307	—	—	307

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	March 31, 2016			March 31, 2015				
	SMR	SMP	Unallocated / Inter-segment eliminations	Total	SMR	SMP	Unallocated / Inter-segment eliminations	Total
Revenue by geographical areas*								
Asia Pacific	439,190	201,232	—	640,422	396,550	230,572	—	627,122
Europe	604,745	2,294,085	(677)	2,898,153	565,227	1,884,731	(327)	2,449,631
The Americas	351,917	122,245	(13)	474,149	276,548	130,766	—	407,314
	1,395,852	2,617,562	(690)	4,012,724	1,238,325	2,246,069	(327)	3,484,067
Non-current assets**								
(excluding deferred taxes, Financial Instruments and investments)	283,878	682,021	—	965,899	265,874	596,622	—	862,496
Sale to external customers above 10% of total revenue								
Audi	68,855	965,921	—	1,034,776	57,062	918,335	—	975,397
Volkswagen	63,911	436,065	—	499,976	88,216	410,682	—	498,898
SEAT	7,770	345,750	—	353,520	6,513	347,349	—	353,862
	140,536	1,747,736	—	1,888,272	151,791	1,676,366	—	1,828,157

* The Group has no revenue by geographical areas in the Netherlands, the country of its domicile.

** As at March 31, 2016 assets amounting to k€ 1,118 (March 31, 2015: Nil) relate to the Netherlands, the country of domicile.

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A.6.6.4 Risk management with respect to financial risks

The Group in its capacity as an internationally active supplier for the automobile industry is exposed to various risks with each of its business segments and products. The global presence and decentralised management structure with the main activities in the plants make an organised risk management system necessary. The regulations, instructions, implementation rules and, in particular, the regular communication throughout the tightly controlled management process consisting of planning, controlling and monitoring collectively form the risk management system used to define, record and minimise operating, financial and strategic risks.

The successful management of opportunities and risks is part of operating a business and is the primary task of all management personnel. During the regular management meetings at all management levels, opportunities, risks and optimisation measures are subjected to systematic treatment. Rapid, open and unhindered communication between all levels of management on the risks and imminent exceptional situations ensure that potential risks can be identified at an early stage and their effects can be limited. Risk awareness and the integration of risk management into management personnel's on-going duties at an organisational level enable the Group to identify risks immediately and to eliminate them or to minimise their effects on the net asset, financial and income position.

A detailed examination has revealed that the risks detailed below are manageable for the SMRP Group.

The Group is exposed in particular to credit risks with regard to trade receivables, liquidity risks and market risks from changes in interest rates and exchange rates. The Group counters customer default risks by monitoring customers continuously and carrying out regular credit checks. Liquidity is secured by means of medium-term loans, pre-emptive liquidity planning and daily liquidity reporting. Interest and currency risks are monitored on a monthly basis centrally by the finance department and the Group's Board of Management.

The Group has developed guidelines on risk controlling and the use of financial instruments. These guidelines contain a clear allocation of duties. Risks are controlled and monitored by means of operational and financial measures.

The risks listed below are not so material that they would result in extraordinary concentrations of risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations towards the Group and arises principally from the Group's receivables from customers and deposits with banking institutions. The maximum amount of the credit exposure is equal to the carrying amounts of these receivables.

The Group has developed guidelines for the management of credit risk from trade receivables. The Group's primary customers are major European automobile manufacturers (OEMs) with good credit ratings. Non-OEM clients are subjected to credit assessments as a precautionary measure, and the adherence of all clients to payment due dates is monitored on an on-going basis, thereby practically eliminating the risk of default.

The Group has deposited liquid funds at various banking institutions. Primary banking institutions are major international banks. In long term credit ratings these banking institutions are considered to be investment grade. Also, no impairment loss has been recorded in respect of fixed deposits that are with recognised commercial banks and are not past due.

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All amounts in Euro'000, unless otherwise stated

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	March 31, 2016	March 31, 2015
As at beginning of the year	7,409	5,837
Impairment loss recognised	3,511	1,700
Amounts written off	(1,851)	(189)
Unused amounts reversed	(483)	61
Exchange fluctuation	(179)	—
As at end of the year	8,407	7,409

The following table shows the ageing of trade and other receivables that were not impaired:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-90 days	90-180 days	180-360 days	>360 days
March 31, 2016							
Trade receivables	554,918	468,868	58,450	18,188	5,300	1,754	2,358
Receivables from joint ventures and related parties	4,812	4,812	—	—	—	—	—
Cash and cash equivalents	192,518	192,518	—	—	—	—	—
Other receivables	90,553	90,553	—	—	—	—	—
March 31, 2015							
Trade receivables	484,937	434,435	37,867	7,437	3,381	771	1,046
Receivables from joint ventures and related parties	5,955	5,955	—	—	—	—	—
Cash and cash equivalents	184,144	184,144	—	—	—	—	—
Others receivables	30,391	30,391	—	—	—	—	—

Impairment is recognised as soon as the carrying amount of an asset exceeds its recoverable amount. In general there are impairments for overdue receivables as a result of price, quality differences as well as discount differences, for uncertain receivables, law cases and overdue receivables. A receivable is completely impaired when recoverability is not probable. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Impairments are recognised in the income statement. The Group has not recognised any other impairment of financial instruments.

Overdue and unimpaired trade receivables are for the most part attributable to OEMs. The good credit rating of these clients means that there was no reason to impair these receivables as of the reporting date.

Liquidity risk

The liquidity risk encompasses any risk that the Group cannot fully meet its financial obligations. To manage the liquidity risk, cash flow forecasting is performed in the operating entities of the group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions. Furthermore, in the case of an expected breach of covenants Group management evaluates early counteractions to prohibit negative impacts for the Group out of a breach of covenants.

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The following table shows the remaining contractual maturities of financial liabilities of the Group presented on a gross and undiscounted basis and include estimated interest payments and exclude the impact of netting arrangements:

<u>Financial Liabilities</u>	March 31, 2016			Total
	Less Than 1 Year	1 to 5 years	More than 5 years	
Non-derivative financial liabilities				
Borrowings - Liabilities to Banks	105,034	104,877	616,607	826,518
Finance lease liabilities	7,224	5,912	1,008	14,144
Trade payables	574,468	—	—	574,468
Liabilities due to shareholders & related parties	19,771	—	—	19,771
Other financial liabilities	87,018	15,837	9,054	111,909
Total	793,515	126,626	626,669	1,546,810
<u>Financial Liabilities</u>	March 31, 2015			Total
	Less Than 1 Year	1 to 5 years	More than 5 years	
Non-derivative financial liabilities				
Borrowings - Liabilities to Banks	87,616	99,438	519,940	706,994
Finance lease liabilities	8,530	10,449	1,329	20,308
Trade payables	566,402	—	—	566,402
Liabilities due to shareholders & related parties	18,458	—	—	18,458
Other financial liabilities	88,171	489	6,441	95,101
Total	769,177	110,376	527,710	1,407,263

Market risk

The Group is also exposed to market risk with respect to changes in interest rates and foreign exchange rates. These changes may affect the operating result and financial position.

Interest rate risks mainly relate to bank borrowings due to variable interest rates depending on the development of the 3-months LIBOR/Euribor (for further details we refer to A.6.3.13). The Group conducted sensitivity analyses at year-end to estimate the interest rate risks. If interest rate would increase (or decrease) by 50 basis points, interest liabilities would increase (or decrease) by k€ 66 as on March 31, 2016 (March 31, 2015: k€ 467). The Group currently sees no need to act with respect to the interest rate risk arising from bank borrowings as it is assumed that interest rates will remain low in the short term. Changes in interest rates and exchange rates are monitored in SMRP BV's Treasury division and hedged as appropriate for the future.

Foreign exchange risk arises from monetary receivables and obligations expressed in a currency other than the functional currency of a Group company. The Group conducted sensitivity analyses at year-end to estimate the currency risk of these monetary financial instruments. This primarily concerns the US dollar. If the Euro were to increase (or decrease) by 10% against the US dollar, receivables would decrease (or increase) by k€ 2,815 as on March 31, 2016 (March 31, 2015: k€ 3,979), while liabilities would decrease (or increase) by k€ 9,817 as on March 31, 2016 (March 31, 2015: k€ 3,963). Net impact on Income statement will be gain / (loss) of k€ 7,002 as on March 31, 2016 (March 31, 2015: k€ 16). There is no financial instrument in place within the Group to manage the foreign currency risk arising out of USD denominated receivables and payables. The risk from other currencies is estimated to be minimal.

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Receivables and liabilities in foreign currencies as of the reporting date are listed in the following table:

	<i>(Amounts in foreign currency 000s)</i>		
	USD	GBP	CNY
March 31, 2016			
Foreign Currency Receivables	32,031	10,700	102,895
Foreign Currency Liabilities	111,698	3,575	1,238
March 31, 2015			
Foreign Currency Receivables	42,693	10,807	83,495
Foreign Currency Liabilities	42,523	5,197	2,667

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group management determines the business policy for the various business segments and plants. Adherence to the determined general conditions and the achievement of the sales, profitability, financial and operating targets is coordinated and monitored centrally.

For this purpose, an important indicator for the Group is the gearing ratio of financial debt to total capital as shown in the Consolidated Statement of Financial Position. Since these terms are generally not governed by International Financial Reporting Standards their definition and calculation may vary from one company to another.

	March 31, 2016	March 31, 2015
Total equity	404,142	335,402
Total equity	404,142	335,402
in % of total capital	45%	46%
Non-current financial liabilities ¹	600,864	514,198
Current financial liabilities ²	93,611	71,141
Total Debt	694,475	585,339
Less : Cash & Cash Equivalents	(192,518)	(184,144)
Debt (Net)	501,957	401,195
in % of total capital	55%	54%
Total capital as defined for capital management purposes	906,099	736,597

¹ Non-current financial liabilities include borrowings as on March 31, 2016 of k€ 594,389 (March 31, 2015: k€ 503,262), finance lease liabilities as on March 31, 2016 of k€ 6,475 (March 31, 2015: k€ 10,936).

² Current financial liabilities include borrowings as on March 31, 2016 of k€ 86,714 (March 31, 2015: k€ 63,396), finance lease liabilities as on March 31, 2016 of k€ 6,897 (March 31, 2015: k€ 7,745).

The Group is not subject to any capital requirements on the basis of its Articles of Incorporation. Certain capital requirements were contractually imposed in loan agreements with the financial institutions. As per the terms of the Notes and Revolver Credit Facilities referred to in note A.6.3.13 the Company is required to maintain financial covenants of net leverage ratio not exceeding 3.25x and net interest cover ratio more than 3.0x calculated on the group's financial statements. As at March 31, 2016 the Group has complied with both these financial covenants. The Group continuously monitors these covenants and it is controlled by capital measures regarding both, shareholders equity as well as debt.

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A.6.6.5 Other financial obligations

The following table shows the future financial obligations arising from long-term rental and leasing contracts.

Operating leases – group as lessee

The group leases various properties, vehicles and machinery under non-cancellable operating lease agreements. The lease terms are between 3 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. There are no restrictions placed upon the lessee by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Not later than one year	28,562	8,832
After one year but not more than five years	50,682	18,029
More than five years	20,724	2,247
Total	<u>99,968</u>	<u>29,108</u>

During the year, k€ 43,462 (March 31, 2015 : k€ 10,051) has been recognised in the income statement as lease rent expense towards operating leases.

Finance leases – group as lessee

The group leases various buildings and machinery under non-cancellable finance lease agreements. The lease terms are between 3 and 10 years, and ownership of the assets lies within the group

Future Minimum Lease Payments under Finance Lease

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Future minimum payments due:		
Not later than one year	7,380	8,440
After one year but not more than five years	6,130	10,378
More than five years	1,008	1,329
	<u>14,518</u>	<u>20,147</u>
Less finance charges allocated to future periods	1,146	1,466
Present value of future minimum lease payments	<u>13,372</u>	<u>18,681</u>
Current	6,897	7,745
Non-current	6,475	10,936
	<u>13,372</u>	<u>18,681</u>
Present value of future minimum lease payments		
Not later than one year	6,898	7,745
After one year but not more than five years	5,542	9,734
More than five years	932	1,202
	<u>13,372</u>	<u>18,681</u>

A.6.6.6 Related parties

During the year the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, include the sale and purchase of goods and services. In addition, financing transactions have been undertaken.

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Entities with significant influence over the Group

SMRP BV, SMP Group and SMR Group were jointly controlled by Motherson Sumi Systems Limited and Samvardhana Motherson International Limited prior to June 13, 2014. On June 13, 2014 SMRP BV acquired the majority of the outstanding shares of SMR Group through the issuance of new shares to the shareholders of SMR Group. (see note A.6.2.1)

Samvardhana Motherson Global Holdings Limited, Cyprus, the direct parent company of Samvardhana Motherson Automotive Systems Group B.V (SMRP) (earlier known as Samvardhana Motherson B.V.) holds 69% of the voting shares of the Group.

Samvardhana Motherson Polymers Limited, India holds 31% of the voting shares of SMRP BV.

Samvardhana Motherson Global Holdings Limited and Samvardhana Motherson Polymers Limited both are indirectly held by MSSL India, which prepares financial statements available for public use and by SMIL India. MSSL and SMIL are referred to as the substantial shareholders of the Group.

SMIL is owned by Mr. V.C. Sehgal and family. SMIL holds an equity interest (36.93%) in MSSL.

As a result, MSSL and SMIL and its direct and indirect held subsidiaries, except for the companies forming the subgroup of Samvardhana Motherson Automotive Systems Group B.V are considered as related parties.

Key Management Personnel

Key management includes directors (executive and non-executive), members of the Supervisory Board. No compensation or any other benefits are paid or payable to any of the key management personnel.

Terms and conditions

Transactions relating to sales and purchase of goods with related parties during the year are based on the price lists in force and terms that would be available to third parties. All other transactions were made on normal commercial terms and conditions and at market rates.

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties. Outstanding balances are unsecured and are repayable in cash.

Details of related party transactions

	Year ended March 31, 2016					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture	Entities in which Key management personnel hold significant influence	Total
Sales	1,007	—	1,094	4,986	—	7,087
Purchases	31,209	10	38,362	42,548	—	112,129
Miscellaneous expenses	75	3,058	3,925	438	35	7,531
Loans given	—	41	130	—	—	171
Repayment of loans taken	—	—	203	—	—	203
Loans received back ..	—	8	269	—	—	277
Rental income	—	—	21	8	—	29
Purchase of assets	118	1,926	171	32	—	2,247
Miscellaneous income	1,557	134	1,053	879	135	3,758

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Details of related party balances

	As at March 31 2016					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture	Entities in which Key management personnel hold significant influence	Total
Other receivables	—	1,108	1,272	130	—	2,510
Trade receivables	433	622	161	1,006	80	2,302
Other payables	4,900	1,775	9,295	3,768	33	19,771
Loans and deposits receivable	—	—	—	—	—	—

Details of related party transactions

	Year ended March 31, 2015					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture	Entities in which Key management personnel hold significant influence	Total
Sales	771	—	1,797	2,288	—	4,856
Purchases	27,473	4	35,335	39,530	3,101	105,443
Interest and similar income	—	—	47	—	—	47
Miscellaneous expenses	63	1,997	2,233	51	23	4,367
Loans given	—	40	5,750	—	—	5,790
Repayment of loans taken	23,939	—	44,388	—	—	68,327
Loans taken	—	—	12,250	—	—	12,250
Loans received back . .	—	—	5,750	—	—	5,750
Rental income	—	—	22	—	—	22
Interests and similar expenses	248	—	326	—	—	574
Purchase of assets	172	131	164	109	—	576
Miscellaneous income	904	444	395	369	147	2,259
Sale of shares	—	50	—	—	—	50

Details of related party balances

	As at March 31 2015					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture	Entities in which Key management personnel hold significant influence	Total
Other receivables	—	161	4,671	497	—	5,329
Trade receivables	332	6	102	1	—	441
Other payables	4,684	187	8,985	4,602	—	18,458
Loans and deposits receivable	84	542	—	—	—	626

A.6.6.7 Business combination

Acquisition of Scherer & Trier group (in administration):

During the year ended March 31, 2015, the Company through its subsidiaries purchased the entire German and Mexican business of Scherer & Trier group (S&T), Germany from its administrator through its step down subsidiaries on 30th January 2015.

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The purchase agreement was executed between SMRP BV, through its step down subsidiaries in its capacity as Purchaser and insolvency administrator in his capacity as Seller as follows:

1. Fixed Assets excluding land & building and inventory & other receivables were acquired by Samvardhana Motherson Innovative Autosystems B.V. & Co. KG.
2. Land & building were acquired by SM Real Estate GmbH.
3. Shares of Mexican entities were acquired by Samvardhana Motherson Reflectec Group Holdings Limited and Samvardhana Motherson Peguform GmbH in ratio of 99:1.

The purchase agreement came into effect from closing date of January 30th, 2015.

The acquisition cost amounting to Euro 35,763,684 comprises of following:

1. Purchase price of the assets including land and building & inventories for German entities.
2. 100% shares held in Mexican entities

The acquisition cost allocated to purchase price of assets including land and buildings & inventories for German Entities amounts to Euro 35,763,384 and acquisition cost allocated to purchase of shares of Mexican entities amounts to Euro 300. As a result of the acquisition, bargain gain of k€ 13,329 was recognised in other income for the year ended March 31, 2015.

A.6.7 Accounting estimates and evaluations

The Group makes estimates and assumptions concerning the future and makes significant judgements in the process of application of accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Determination of the useful life of intangible assets and property, plant and equipment (see A.6.3.1 and A.6.3.2).
- Valuation of customer and engineering agreements as well as technology and property, plant and equipment, particularly with regard to their underlying cash flow forecasts and discount rates (see A.6.3.1 and A.6.3.2).
- Determination of the level of completion, the contract revenues and contract costs of construction contracts. The Group uses the percentage-of-completion method in accounting for its fixed price contracts to deliver design services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. (see A.6.3.8.1).
- Valuation of recoverable income tax assets especially with respect to deferred tax assets on tax loss carry forwards. The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. (see A.6.3.15 and A.6.5).
- Recognition and presentation of provisions and liabilities for pensions and other post-employment benefits. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to

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be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. (see A.6.2.14.1 and A.6.3.11).

- Recognition and presentation of provisions and liabilities (esp. the accrual for price differences and the liabilities out of contract work) and to the probability of expenses arising from warranty claims and claims from legal disputes. Price accruals primarily represent the amount of price down to be given to customers, the final outcome of these price accruals is dependent on negotiation with customers (see A.6.2.14).

These estimates and assumptions are based on the latest information available at the time that the consolidated financial statements were prepared. The assumptions and estimates are checked and updated regularly to accommodate any actual developments that may arise.

A.6.8 Subsequent Events

During the month of May 2016, one of the Company's subsidiary SMR Poong Jeong Automotive Mirrors Korea Limited bought back 81,660 shares from its minority shareholder against a consideration of KRW 12 billion (equivalent to Euro 9.2 million). Pursuant to this transaction, this subsidiary has become a 100% subsidiary of Samvardhana Motherson Reflectec Group Holdings Limited, Jersey and of the Company.

Signing of the financial statements

Mr. Jacob Meint Buit
(Managing Director)
Amsterdam, May 27, 2016

Mr. Randolph Marie Thaddeus De Cuba
(Managing Director)
Amsterdam, May 27, 2016

Mr. Laksh Vaaman Sehgal
(Managing Director)
Amsterdam, May 27, 2016

Mr. Andreas Heuser
(Managing Director)
Amsterdam, May 27, 2016

Signing of the financial statements

Mr. Cezary Zawadzinski
(Member of Supervisory Board)
Amsterdam, May 27, 2016

Mr. Bimal Dhar
(Member of Supervisory Board)
Amsterdam, May 27, 2016

Mr. Kunal Malani
(Member of Supervisory Board)
Amsterdam, May 27, 2016

Mr. G.N. Gauba
(Member of Supervisory Board)
Amsterdam, May 27, 2016

Mr. Vivek Chaand Sehgal
(Member of Supervisory Board)
Amsterdam, May 27, 2016



Independent auditor's report

To: the general meeting of Samvardhana Moterson Automotive Systems Group B.V.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements 2014/2015 which are part of the financial statements of Samvardhana Moterson Automotive Systems Group B.V., Amsterdam, which comprise the consolidated statement of financial position as at 31 March 2015, the consolidated income statement, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the directors are responsible for such internal control as they determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Samvardhana Moterson Automotive Systems Group B.V. as at 31 March 2015, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.



Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the directors' report, to the extent we can assess, is consistent with the consolidated financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, 1 June 2015
PricewaterhouseCoopers Accountants N.V.

Original has been signed by: N.W. Over de Vest RA

Consolidated Financial Statements
All amounts in Euro'000, unless otherwise stated

A. CONSOLIDATED FINANCIAL STATEMENTS

A.1 Consolidated Statement of Financial Position

	Note	March 31, 2015	March 31, 2014
Assets			
Intangible assets	A.6.4.1	36,620	30,773
Property, plant and equipment	A.6.4.2	786,951	596,132
Investment properties	A.6.4.3	11,000	11,267
Joint ventures, accounted for using the equity method	A.6.4.4	27,095	18,195
Associates, accounted for using the equity method	A.6.4.5	307	307
Other financial instruments	A.6.4.6	5	24
Trade receivables and other assets	A.6.4.8	27,925	22,224
Deferred tax assets	A.6.6	22,471	14,841
Non-current assets		912,374	693,763
Inventories	A.6.4.7	168,710	146,764
Trade receivables	A.6.4.8	458,949	403,830
Tax receivables	A.6.4.8	283	309
Other financial instruments	A.6.4.6	1,169	8
Other receivables	A.6.4.8	72,073	50,295
Cash and cash equivalents	A.6.4.9	184,144	85,701
Current assets		885,328	686,907
Total assets		1,797,702	1,380,670
Equity and liabilities			
Shareholder's equity	A.5	267,548	136,616
Non-controlling interests	A.5	67,854	51,164
Equity		335,402	187,780
Provisions for pension liabilities	A.6.4.11	12,226	10,541
Other provisions	A.6.4.12	2,685	2,383
Financial liabilities	A.6.4.13	514,198	266,557
Other financial instruments	A.6.4.6	—	810
Liabilities to companies accounted for using the equity method and related parties	A.6.4.14	—	43,806
Other liabilities	A.6.4.15	31,684	24,482
Deferred tax liabilities	A.6.6	51,542	49,434
Non-current liabilities		612,335	398,013
Other provisions	A.6.4.12	13,807	10,416
Financial liabilities	A.6.4.13	71,141	165,170
Trade payables	A.6.4.15	566,402	399,626
Liabilities to companies accounted for using the equity method and related parties	A.6.4.14	18,458	24,321
Other financial instruments	A.6.4.6	62	241
Current tax liabilities	A.6.4.15	17,843	18,080
Other liabilities	A.6.4.15	162,252	177,023
Current liabilities		849,965	794,877
Liabilities		1,462,300	1,192,890
Total		1,797,702	1,380,670

The notes on pages F-76 to F-130 are an integral part of these consolidated financial statements.

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.2 Consolidated Income Statement

	Notes	Year ended March 31, 2015	15-months period ended March 31, 2014
Revenue	A.6.5.1	3,484,067	3,719,677
Changes in inventories	A.6.5.2	16,118	4,613
Other operating Income	A.6.5.3	78,104	81,278
Cost of materials	A.6.5.4	(2,340,498)	(2,466,274)
Personnel expenses	A.6.5.5	(637,202)	(713,653)
Depreciation and amortization	A.6.5.6	(86,997)	(104,405)
Other operating expenses	A.6.5.7	(341,096)	(388,250)
Result from operating activities		172,496	132,986
Finance income	A.6.5.8	1,781	11,704
Finance costs	A.6.5.8	(41,497)	(38,629)
Finance costs - net	A.6.5.8	(39,716)	(26,925)
Share of after-tax profits/(losses) of joint ventures accounted for under the equity method	A.6.5.9	9,400	3,453
Share of after-tax profits/(losses) of associates accounted for under the equity method	A.6.5.10	33	(29)
Earnings before taxes (EBT)		142,213	109,485
Income taxes	A.6.6	(30,202)	(34,010)
Profit / (loss) for the year		112,011	75,475
Thereof profit or loss for the year attributable to:			
Equity holders of the group		94,897	54,176
Non-controlling interests		17,114	21,299
Profit / (loss) for the year		112,011	75,475

The notes on pages F-76 to F-130 are an integral part of these consolidated financial statements.

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.3 Consolidated Statement of Comprehensive Income

	<u>Year ended March 31, 2015</u>	<u>15-months period ended March 31, 2014</u>
Profit / (loss) for the year after tax:	112,011	75,475
Other comprehensive income / (loss):	47,631	(18,284)
- Items that will not be reclassified to profit & loss		
Remeasurement of post-employment benefits	(2,575)	(677)
Deferred tax on actuarial losses	272	289
- Items that may be subsequently classified to profit & loss		
Exchange differences on translating foreign operations	49,934	(17,896)
Total comprehensive income for the year	<u>159,642</u>	<u>57,191</u>
Attributable to:		
Equity holders of the group	130,932	39,032
Non controlling interests	28,710	18,159
	<u>159,642</u>	<u>57,191</u>

The notes on pages F-76 to F-130 are an integral part of these consolidated financial statements.

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.4 Consolidated Cash Flow Statement

	Note	Year ended March 31, 2015	15-months period ended March 31, 2014
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period before income taxes	A.2	142,213	109,485
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	A.6.5.6	78,748	92,847
Amortization of intangibles	A.6.5.6	8,249	11,558
Gain from bargain purchase	A.6.5.3	(13,329)	—
(Gain) / loss from the sale of property, plant and equipment, investment properties and assets held for sale	A.6.5.3 / A.6.5.7	457	(404)
Net finance cost	A.6.5.8	39,716	26,925
Share of profits of JV and associates accounted for using equity method	A.6.5.9 / A.6.5.10	(9,433)	(3,424)
Other non-cash related adjustments		—	289
Reversal / addition of bad debt allowances and provisions		277	(3,174)
Income from reversal of provisions and liabilities	A.6.5.3	(16,932)	(21,232)
Unrealised foreign exchange (gain)/loss		19,157	(7,794)
Cash flow from operations before working capital changes		249,123	205,076
Working capital changes			
Increase in provisions		353	5,616
Increase in inventories		(2,952)	(4,306)
Increase in trade receivables		(60,144)	(81,316)
Increase in other assets ¹		(16,826)	(4,966)
Increase in trade payables		133,818	103,868
Increase in other liabilities ²		49,308	56,198
Cash flow from operating activities before income tax		352,680	280,170
Income tax paid		(38,934)	(30,933)
Cash flow from operating activities (A)		313,746	249,237
CASH FLOW FROM INVESTING ACTIVITIES			
Disposal of investment in associates		49	—
Purchase of property, plant & equipment (including advances)		(180,255)	(138,460)
Purchase of intangible assets		(3,274)	(2,201)
Proceeds from sale of property, plant and equipment		3,639	6,454
Proceeds from disposal of investments		5	(5)
Dividends received from Joint Ventures		500	100
Acquisition of subsidiaries		(35,764)	—
Acquisition of Joint Venture non-controlling interests		—	(1,947)
Interest received		1,782	1,658
Cash flow from investing activities (B)		(242,180)	(134,401)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid to non-controlling interest		(12,312)	(12,151)
Capital contributions to non-controlling interests		292	—
Capital contributions		—	1,500
Repayment of finance lease liabilities		(11,910)	(8,457)
Proceeds from borrowings		561,389	130,995
Repayment of borrowings		(416,067)	(206,561)
Interest paid		(28,883)	(38,499)
Loans received from related parties		—	48,684
Loans repayments to related parties		(68,326)	(13,487)
Cash flow from financing activities (C)		24,183	(97,976)

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

	Note	Year ended March 31, 2015	15-months period ended March 31, 2014
Changes in cash and cash equivalents (A+B+C)		95,749	16,860
Cash and cash equivalents at beginning of period	A.6.4.9	85,701	69,853
Variation in cash and cash equivalents from translation in foreign currencies		2,694	(1,012)
Cash and cash equivalents at end of year	A.6.4.9	184,144	85,701

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- 1 Other asset comprising of tax receivables, other financial and non-financial assets.
- 2 Other liabilities comprise of prepayment received, liabilities from shareholders, and other financial and non-financial liabilities.

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.5 Consolidated Statement of Changes in Equity

	Attributable to owners of the parent						Non controlling interest	Total equity
	Subscribed capital	Share premium	Currency translation reserve	Retained earnings	Merger reserve	Total		
As at January 01, 2013	18	5,992	(2,731)	(11,760)	104,352	95,871	45,152	141,023
Total comprehensive income	—	—	—	(7,132)	61,308	54,176	21,299	75,475
Profit for the period	—	—	—	—	—	—	—	—
Other comprehensive income								
Items that may be subsequently classified to statement of profit or loss								
- Foreign currency translation	—	—	(3,908)	—	(10,871)	(14,779)	(3,117)	(17,896)
Items that will not be reclassified to statement of profit or loss								
- Remeasurement of post-employment benefits	—	—	—	289	(941)	(652)	(25)	(677)
- Deferred tax relating to remeasurement	—	—	—	—	287	287	2	289
Total other comprehensive income	—	—	(3,908)	289	(11,525)	(15,144)	(3,140)	(18,284)
Total comprehensive income	—	—	(3,908)	(6,843)	49,783	39,032	18,159	57,191
Transactions with owners								
- Addition during the period	3	1,498	—	—	212	1,713	3	1,716
- Dividend distribution to non controlling interests	—	—	—	—	—	—	(12,150)	(12,150)
Total transactions with owners	3	1,498	—	—	212	1,713	(12,147)	(10,434)
As at March 31, 2014	21	7,490	(6,639)	(18,603)	154,347	136,616	51,164	187,780

Consolidated Financial Statements — (Continued)
All amounts in Euro '000, unless otherwise stated

	Attributable to owners of the parent						Non controlling interest	Total equity
	Subscribed capital	Share premium	Currency translation reserve	Retained earnings	Merger reserve	Total		
As at April 1, 2014	21	7,490	(6,639)	(18,603)	154,347	136,616	51,164	187,780
Total comprehensive income								
Profit for the year	—	—	—	83,274	11,623	94,897	17,114	112,011
Other comprehensive income								
Items that may be subsequently classified to statement of profit or loss								
- Foreign currency translation	—	—	33,498	24	4,771	38,293	11,641	49,934
Items that will not be reclassified to statement of profit or loss								
- Remeasurement of post-employment benefits	—	—	—	(2,570)	54	(2,516)	(59)	(2,575)
- Deferred tax relating to remeasurement	—	—	—	274	(16)	258	14	272
Total other comprehensive income	—	—	33,498	(2,272)	4,809	36,035	11,596	47,631
Total comprehensive income	—	—	33,498	81,002	16,432	130,932	28,710	159,642
Transactions with owners								
- Addition during the year	45	893,420	—	—	(893,465)	—	292	292
- Dividend distribution to non controlling interests	—	—	—	—	—	—	(12,312)	(12,312)
Total transactions with owners	45	893,420	—	—	(893,465)	—	(12,020)	(12,020)
As at March 31, 2015	66	900,910	26,859	62,399	(722,686)	267,548	67,854	335,402

The notes on pages F-76 to F-130 are an integral part of these consolidated financial statements.

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.6. Notes to the Consolidated Financial Statements

A.6.1 General information and description of the business

These consolidated financial statements comprise of Samvardhana Motherson Automotive Systems Group BV (SMRP BV) (earlier known as Samvardhana Motherson B.V.) and its subsidiaries (hereinafter referred to as “SMRP BV Group” or “the Group”) for year ended March 31, 2015. MSSL and SMIL are the ultimate shareholders of SMRP BV Group.

SMRP BV is a private company with limited liability, incorporated under the laws of the Netherlands on October 07, 2011. Its registered office and principal place of business is situated at Claude Debussylaan 24 -1082 MD Amsterdam, The Netherlands.

On June 13, 2014, SMRP BV acquired 98.45% shareholding of Samvardhana Motherson Reflectec Group Holdings Limited (SMR Jersey) from Samvardhana Motherson Group Holdings Limited (SMGHL), Cyprus in share exchange deal wherein SMGHL transferred its entire shareholding (including acquired on June 9, 2014 from minority shareholders) to SMRP BV in exchange of 45,676 shares of a nominal value of € 1 each issued by SMRP BV and consequently SMRP BV has become subsidiary of SMGHL. Shareholders of SMRP BV have approved allotment of shares to SMGHL in their meeting dated June 13, 2014.

On June 24, 2014, SMRP BV acquired 16.28% stake held by PF Beteiligungsverwaltungs (Cross Industries AG). PF Beteiligungsverwaltungs had exercised put option for 16.28% held by them in SMP Deutschland GmbH and SMP Automotive Technology Iberica S.L. in accordance with the framework agreement. Consequent to this buy out SMRP BV along with SMGHL holds 100% in SMP Deutschland GmbH and SMP Automotive Technology Iberica S.L.

SMR Group

SMR Jersey was incorporated on February 16, 2009. On March 6, 2009 Samvardhana Motherson Reflectec Group Holdings Limited acquired the Visiocorp Group and with this acquisition commenced its operating business.

SMR Group develops and produces a wide range of exterior mirrors from simple prismatic versions up to complex multi-function systems. In addition to the mirror technology, the Group develops and produces driver assistance systems such as detection systems in the door mirror for monitoring blind spots or mirror turn signals. It has production facilities and engineering centres in 14 countries across the globe.

SMP Group

SMRP BV acquired the Peguform Group as on November 23, 2011.

SMP Group supplies plastic parts and system modules for vehicle interiors and exteriors. Products for vehicle interiors include in particular interior door panels and dashboards. For exteriors, bumpers and other bodywork components are manufactured. The product range encompasses individual parts and complete modules, with engineering and tooling services also being provided. It has production facilities and engineering centres in 7 countries across the globe.

A.6.2 Summary of Significant Accounting Policies

A.6.2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared for the financial year beginning April 01, 2014 and ending on March 31, 2015.

During the year ended March 31, 2014 the Company changed its financial year from January-December to period from April to March. Therefore, the figures for previous financial year comprise a period of 15 months from January 1, 2013 to March 31, 2014.

On June 13, 2014, SMRP BV acquired 98.45% shareholding of Samvardhana Motherson Reflectec Group Holdings Limited (SMR Group) from Samvardhana Motherson Group Holdings Limited

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

(SMGHL), Cyprus in share exchange deal wherein SMGHL transferred its entire shareholding (including acquired on June 9, 2014 from minority shareholders) to SMRP BV in exchange of 45,676 shares of a nominal value of € 1 each issued by SMRP BV and consequently SMRP BV has become subsidiary of SMGHL. Shareholders of SMRP BV approved allotment of shares to SMGHL in their meeting dated June 13, 2014. Prior to June 13, 2014, SMRP BV and SMR Group were jointly controlled by Motherson Sumi Systems Limited (MSSL India) and Samvardhana Motherson International Limited (SMIL India) and after this transaction SMRP BV Group comprising SMR Group continue to be jointly controlled by MSSL India and SMIL India. SMR Group's business continues to be reviewed by the Chief Operating Decision Maker ("CODM") as a distinct operating segment and the relevant information of segment profitability and financial position can found in Note A.6.7.3 "Operating Segment Information".

As this transaction is done under "common control" as defined by IFRS, the activities of SMR Group have been included in these consolidated accounts using the predecessor accounting method, e.g. the financial statements have been consolidated as of January 01, 2013." i.e. the audited consolidated financial statements for year ended March 31, 2015 have been prepared incorporating the financial performance of SMR Group for full twelve months i.e. From April 1, 2014 to March 31, 2015. And corresponding figures for the previous period were for fifteen months period i.e. From January 1, 2013 to March 31, 2014 and hence SMR Group has also been incorporated for same period in the prior period. This accounting treatment leads to differences on consolidation between consideration and fair value of the underlying net assets and this difference is included within equity as a merger reserve. All subsequent business combinations are accounted for using the acquisition method of accounting.

Further, during the current year the Company through its subsidiaries acquired the business of Scherer & Trier in an asset cum share purchase transaction as detailed in Note A.6.3 to the consolidated financial statements. This transaction was closed on January 30, 2015 and hence the results for the current period include approximately two months results of the newly acquired business.

Due to the changes mentioned above, the comparative figures presented are partly not comparable. This relates especially to the comparable figures in the income statement.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS EU").

The consolidated financial statements have been prepared under the historical cost convention except for available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

A.6.2.2 Currency translation

A.6.2.2.1 Transactions in foreign currencies

All transactions are recorded in functional currency of the principal operating environment in which each Group company operates. The Consolidated financial statements are presented in 'euro', which is also the parent company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on this date. Differences from foreign currency transactions are reported in the income statement. Non-monetary assets and liabilities that are measured at historical cost in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on the day of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on the date on which the fair value was determined.

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.6.2.2.2 Annual financial statements of foreign operations

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

The exchange rates of currencies of non-Euro zone countries used for the consolidated financial statements are listed below (expressed in foreign currency units per Euro):

<u>Foreign currencies</u>		<u>Closing rates</u> <u>March 31, 2015</u>	<u>Average rates</u> <u>Year ended</u> <u>March 31, 2015</u>	<u>Closing rates</u> <u>March 31, 2014</u>	<u>Average rates</u> <u>Year ended</u> <u>March 31, 2015</u>
Brazilian Real	BRL	3.43	3.12	3.13	2.94
Mexican Peso	MXN	16.37	17.34	17.98	17.19
Chinese Yuan	CNY	6.65	7.85	8.56	8.21
US Dollar	USD	1.07	1.27	1.38	1.34
Great British Pound	GBP	0.72	0.79	0.83	0.85
Korean Won	KRW	1,188.87	1,341.84	1,466.02	1,455.57
Indian Rupee	INR	67.06	77.44	82.50	79.19
Thai Bhat	THB	34.90	41.14	44.60	41.58
Hungarian Forint	HUF	300.18	308.45	306.86	298.71
Japanese Yen	JPY	128.89	138.76	142.09	131.89
Australian Dollar	AUD	1.41	1.45	1.49	1.41

A.6.2.3 Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidation of companies acquired from third parties was carried out at the time of control using the acquisition method. According to this method, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Intangible assets are recognized separately from any goodwill, provided that they can be separated from the company or are derived from a contractual or other entitlement.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and the fair value of non-controlling interest is lower than the fair value of the net assets of the subsidiary acquired, the difference is directly recognized in profit or loss.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognized at fair value within liabilities with a corresponding charge directly to equity. The charge to

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

equity is recognized separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

The Group recognizes the cost of writing such put options, determined as the excess of the fair value of the option over any consideration received, as a financing cost. Such options are subsequently measured at amortized cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost.

Joint ventures

Joint ventures are companies over which the Group holds joint control as a result of contractual agreements.

The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Interest in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of 20% to 50% of the voting rights. Investments in associate are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Equity Method

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in the associate/joint venture equals or exceeds its interest in the associate/joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate/joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate/joint ventures and its carrying value and recognizes the amount of impairment adjacent to share of profit/(loss) of an associate/joint ventures in the income statement.

Accounting policies of the associates/joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates/joint ventures are recognized in the income statement.

Elimination of business transactions in the course of consolidation

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

Profits and losses resulting from unrealized upstream and downstream transactions between the Group and its associate / joint ventures are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates / joint ventures. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

Unrealized gains or losses from business transactions with joint ventures accounted for using the equity method have been eliminated from the investments in accordance with the amount of the holding.

The consolidated financial statements of the Group include:

SMR Group

SMR Group comprises the subsidiaries as disclosed below:

<u>Entity name</u>	<u>Country</u>	<u>Capital share</u>	<u>Minority shares</u>	<u>Voting rights</u>
Samvardhana Motherson Reflectec Group Holdings Limited	Jersey	98.5%	1.5	98.5%
SMR Automotive Systems India Limited	India	51%	49%	51%
SMR Automotive Systems France S. A.	France	100%	—	100%
SMR Automotive Mirror Systems Holding Deutschland GmbH	Germany	100%	—	100%
SMR Poong Jeong Automotive Mirrors Korea Limited	South Korea	90%	10%	90%
SMR Hyosang Automotive Limited	South Korea	90%	10%	90%
SMR Automotive (Langfang) Co. Limited	China	90%	10%	90%
SMR Holding Australia Pty Limited	Australia	100%		100%
SMR Automotive Australia Pty Limited	Australia	100%		100%
SMR Automotive Mirror Technology Hungary Bt	Hungary	100%		100%
SMR Grundbesitz GmbH & Company KG	Germany	93%	7%	93%
SMR Automotive Mirrors UK Limited	UK	100%		100%
SMR Automotive Technology Valencia SAU	Spain	100%		100%
SMR Automotive Services UK Limited	UK	100%		100%
SMR Automotive Mirror International USA Inc.	USA	100%		100%
SMR Automotive Systems USA Inc.	USA	100%		100%
SMR Automotive Systems Spain S.A.U.	Spain	100%		100%
SMR Automotive Vision Systems Mexico S.A. de C.V.	Mexico	100%		100%
SMR Automotive Servicios Mexico S.A. de C.V.	Mexico	99.99%		99.99%
SMR Automotive Mirrors Stuttgart GmbH	Germany	100%		100%
SMR Automotive Patents S.A.R.L.	Luxemburg	100%		100%
SMR Automotive Beteiligungen Deutschland GmbH	Germany	100%		100%
SMR Automotive Beijing Company Limited	China	100%		100%
SMR Automotive Yancheng Company Limited	China	100%		100%
SMR Automotive Mirror Technology Holding Hungary Kft	Hungary	100%		100%
SMR Automotive Mirror Parts and Holdings UK Limited	UK	100%		100%
Samvardhana Automotive Technology Holding Cyprus Limited	Cyprus	100%		100%
SMR Automotive Holding Hong Kong Limited	Hong Kong	100%		100%
SMR Automotive Brasil LTDA	Brazil	100%		100%
SMR Automotive System (Thailand) Limited	Thailand	100%		100%
SMR Automotives Systems Macedonia Doel Skopje	Macedonia	100%		100%
SMR Automotive Operations Japan K.K.	Japan	100%		100%
SMR Automotive Vision System Operations USA INC. (incorporated on March 17, 2014)	USA	100%		100%
SMR Mirror UK Limited (incorporated on March 19, 2014)	UK	100%		100%
Samvardhana Motherson Innovative Autosystems Holding Company B.V.	Netherlands	100%		100%
Samvardhana Motherson Innovative Autosystems de Mexico, S.A. de C.V.	Mexico	100%		100%
Samvardhana Motherson Real Estate Unit de Mexico, S.A. de C.V.	Mexico	100%		100%
SMIA de Mexico Administrative Services, S.A. de C.V.	Mexico	100%		100%
SMR Automotive Services Portchester Limited (liquidated on July 9, 2013)	UK	100%		100%

SMR Group comprises joint ventures and associates as disclosed below:

<u>Entity name</u>	<u>Country of incorporation</u>	<u>Group interest in %</u>
Ningbo SMR Huaxiang Automotive Mirrors Co., Ltd	China	50.0%
Chongqing SMR Huaxiang automotive Products Limited	China	50.0%
Re Time Pty Limited*	Australia	35%

*5.6% holding has been disposed during the current year

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SMP Group

SMP Group comprises the subsidiaries as disclosed below:

<u>Name</u>	<u>Country</u>	<u>Capital share</u>	<u>Minority shares</u>	<u>Voting rights</u>
Samvardhana Motherson Peguform GmbH	Germany	100.0%		100.0%
SMP Automotive Interiors (Beijing) Co. Ltd (incorporated on March 31, 2014)	China	100.0%		100.0%
SMP Automotive Exterior GmbH (incorporated on May 31, 2013) ..	Germany	100.0%		100.0%
SMP Deutschland GmbH	Germany	95%	5%***	95%
SMP Automotive Solutions Slovakia s.r.o.	Slovakia	95%	5%***	95%
SMP Logistik Service GmbH (earlier known as SMP Automotive Solutions Personalleasings GmbH)	Germany	95%	5%***	95%
Changchun Peguform Automotive Plastics Technology Ltd.	China	47.5%	50%-1**	50%+1**
SMP Automotive Technology Management Services (Changchun) Co. Ltd.	China	78.5%		100.0%
Foshan Peguform Automotive Plastics Technology Co. Ltd.	China	47.5%	50%-1**	50%+1**
SMP Automotive Technology Ibérica, S.L.	Spain	100%	***	100.0%
SMP Automotive Technologies Teruel, S.L.	Spain	100%	***	100.0%
Samvardhana Motherson Peguform Barcelona, S.L.U.	Spain	100%	***	100.0%
Samvardhana Motherson Peguform Automotive Technology Portugal, S.A.	Portugal	100%	***	100.0%
SMP Automotive Produtos Automotivos do Brasil Ltda	Brazil	100%	***	100.0%
SMP Automotive Systems México, S. A. de C. V.	Mexico	100%	***	100.0%
Samvardhana Motherson Innovative Autosystems B.V. & Co. KG ..	Germany	100%		100%
SM Real GmbH	Germany	95%	5%	95%

** SMP Deutschland GmbH has 50% of the voting rights plus one additional vote.

*** 16.3% of the minority shares have been purchased from the Non-controlling interest by exercising put/call option.

SMP Group comprises joint ventures as disclosed below:

<u>Name</u>	<u>Country of incorporation</u>	<u>Group interest in %</u>
Celulosa Fabril S.A.	Spain	50.0%
Modulos Ribera Alto S.LU.	Spain	50.0%
Eissmann SMP Automotive Interieur Slovensko s.r.o.	Slovakia	47.0%

A.6.2.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets with a finite useful life are carried at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is capitalized if it meets the definition of an intangible asset. Costs not eligible for capitalization are expensed off and disclosed under “Research and development costs” in the income statement.

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The intangible assets are amortized on a straight-line basis over their useful lives, beginning at the time the asset is first used and ending after a length of time usual for the asset in operation. The uniform useful lives applied within the Group are as follows:

<u>Description</u>	<u>Useful life (in years)</u>
Concessions, intellectual property, software and similar rights	1-3
Contracts with customers	3-11
Patents & Technologies	5-13

The useful life of customer contracts, engineering contracts as well as technology is the result of the analyses and average useful life of the contracts.

The amortization methods, the usual useful lives and the residual values are checked annually.

A.6.2.5 Property, plant and equipment

A.6.2.5.1 Own assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. When a major replacement is made, its cost is recognized in the carrying amount of the plant and equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

A.6.2.5.2 Leased assets

Leasing agreements in which the Group has essentially assumed all risks and opportunities are classified as finance leases. A property acquired under finance lease needs to be capitalized at the lower of its fair value or the present value of the minimum lease payments at the beginning of the lease period. Asset acquired under finance lease is depreciated over shorter of its useful life and lease term (provided that there is no transfer of the assets at the end of the lease term) or the estimated useful life (see A.6.2.5.3). Impairments are performed as necessary (see A.6.2.7).

If, from an economic perspective, not all material opportunities and risks have been transferred, leasing agreements are classified as operating leases and the income and expenses derived there from are recognized in the income statement.

A.6.2.5.3 Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

<u>Description</u>	<u>Useful life (in years)</u>
Buildings	40-50
Machinery and other technical facilities	10-15
Tooling	1-7
Other plant and office equipment	5-15

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. No depreciation is charged on land.

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A.6.2.6 Investment Properties

Investment properties are stated at cost less accumulated depreciation. Transaction costs are included on initial measurement. The fair values of investment properties are disclosed in the notes. These are assessed using internationally accepted valuation methods. The fair values are calculated based on the income method and are supported by the results of the sales comparison method which compares a subject property's characteristics with those of comparable properties which have recently sold in similar transactions and uses multiples to calculate the fair value. Comparable characteristics that are used for the multiples are the construction level and the specific rent level. Depreciation is provided on investment property other than land, on a straight-line basis over the expected useful life which is 30 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

A.6.2.7 Impairment of non-current assets

Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (see A.6.2.7.1).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units), generally individual business units. Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Impairment is recognized if the carrying value of an asset or its cash-generating unit exceeds the recoverable amount. Impairments are reported in the income statement.

The Group performed reviews at the reporting date to determine whether there were indications that assets or their cash-generating units have to be impaired. The triggering event for the impairment of customer and engineering contracts could be a budget that causes sales revenues from customer and engineering contracts to be reduced in the future.

The triggering event for the impairment of Technology could also be a budget that causes revenues to be reduced in the future or material changes in determination of royalty rate.

The triggering event for the impairment of patent and intellectual property is change in future economic benefits embodied in the asset.

As of the reporting date, no impairments have been identified on customer and engineering contracts, technology or fixed assets.

A.6.2.7.1 Recoverable amounts

The recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets that primarily do not generate independent cash flows, the recoverable amount was determined for the cash-generating units to which these assets belonged.

A.6.2.7.2 Impairment reversals

In case events which caused impairment initially ceases to exist, impairments are only reversed to the extent that increased carrying amount of the asset does not exceed the carrying amount that would have been in place had there no impairment been carried out in the first place, taking into account the normal depreciation/amortization.

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A.6.2.8 Financial instruments

A financial instrument is any agreement that leads to the generation of financial asset at one company and/or to a financial liability or equity instrument at another. Financial instruments can be placed into one of four categories according to their intended purpose: financial assets measured at fair value through profit or loss, financial assets held to maturity, loans and receivables, financial assets available for sale.

Financial instruments include primary financial instruments such as receivables and trade liabilities, securities, debt instruments and other financial liabilities. They also include derivative financial instruments used to hedge against risks arising from changes in exchange rates and interest rates.

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the group's right to receive payments is established.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

A.6.2.8.1 Primary financial instruments

Primary financial instruments are allocated to one of four categories according to their intended purpose. This allocation is re-assessed at each reporting date and it is determined whether the asset is to be reported as current or non-current.

a. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Changes in the fair value of

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financial assets measured at fair value - either because they have been reported as such upon initial recognition or are held for trading - are recognized directly in the income statement. They are also reported as current assets if they are being held for trading or it can be reasonably expected that they will be converted within twelve months from the reporting date.

b. Financial assets held to maturity are initially recognized at fair value plus transaction costs. Financial assets held to maturity which exhibit fixed or determinable payments and a fixed maturity period, and which the Group wishes and is able to hold until maturity are measured at amortized cost and reported depending on their maturity period as non-current or current assets. The amortization and losses arising from impairments are recognized in the statement of profit or loss.

c. Loans and receivables are initially recognized at fair value plus transaction costs. Loans and receivables that have fixed or determinable payments and are not listed on an active market are measured at amortized cost using the effective interest method less any necessary write-downs arising from impairments. They are reported in the statement of financial position under other receivables and other assets unless they are trade receivables, and are recorded as non-current or current depending on their maturity period.

d. Available-for-sale financial assets that have been reported as such upon initial recognition are measured at fair value, provided that this can be determined, and then reported as non-current or current assets, depending on the expected time of sale. Gains and losses from changes in fair value are recorded net, i.e. after tax, and taken directly to equity ("Other comprehensive income") until the financial asset has been derecognized. In the event that an asset is impaired permanently, however, the loss must be recorded directly in the income statement. If it is not possible to determine the fair value, for example with holdings in non-consolidated affiliated companies or other investments in companies, these assets are measured at cost.

A.6.2.8.1 Impairment of financial assets

(a) Assets carried at amortized cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

(b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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Financial liabilities are initially recognized at fair value less transaction costs for liabilities not recognized at fair value through profit or loss. Subsequently financial liabilities from primary financial instruments are measured at amortized cost. The Group measures all financial liabilities except derivatives at amortized cost, which encompasses the remaining debt amount less expenses. Liabilities from finance leases are measured at the present value of the remaining minimum lease payments on the basis of the interest rate underlying the leasing agreement. Financial liabilities with fixed or determinable payments that are neither debt instruments nor derivative financial instruments listed on an active market are reported in the statement of financial position under other liabilities in accordance with their maturity. All financial instruments are therefore measured at historical cost or amortized cost less impairments.

A.6.2.8.2 Derivative financial instruments

Derivative financial instruments that are not part of a hedging relationship are carried at fair value upon initial recognition, corresponding to the fair value of the consideration received or given in return. After initial recognition, derivative financial instruments are carried at fair value, which is based on the market value of the financial instrument. Any changes in fair value are recorded directly in profit or loss.

A.6.2.9 Inventories

Inventories are initially measured at cost, which comprises those costs directly attributable to the production process and an appropriate share of production overheads based on normal operating capacity. This includes write-downs related to production and a reasonable proportion of the administrative and social security costs. Financing costs are not included in the acquisition or production costs. Costs for raw materials and supplies are determined using the moving weighted average prices.

In the course of the subsequent valuation, inventories are carried at the lower of the cost or net realisable value at the reporting date. The net realisable value is the estimated selling price that could be achieved in the course of normal business less estimated costs of completion and estimated costs necessary to make the sale. Impairments take into account reduced market viability and excessive storage times as indicator for a reduced net realisable value. If the reasons for the impairment no longer apply, the impairments are reversed in full.

A.6.2.10 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognize in a given period. The Group determines the level of completion on the basis of milestones achieved to date. If it is not possible to determine the level of completion reliably, revenue is recognized only to the extent of contract costs incurred that is probable will be recoverable. Therefore, no profit is reported in such a situation ("zero profit margin method"). The costs include all expenses incurred in direct relation to the specific projects and a proportion of the fixed and variable general costs incurred on the basis of normal capacity for the Group's construction contracts. On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the opposite is the case.

A.6.2.11 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A.6.2.12 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with an original maturity three months or less. Cash and cash equivalents are measured at cost.

A.6.2.13 Income taxes

Current taxes are those taxes foreseeably payable on a year's taxable income in accordance with the statutory tax rates or tax rates that had been substantially adopted as of the reporting date, as well as all adjustments to payable taxes in relation to previous reporting periods.

Income taxes for the annual result reported in the income statement comprise current taxes and deferred taxes. Income taxes are recorded in the income statement unless they relate to items recognized directly in equity or in other comprehensive income. In this case, the income taxes incurred are also recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are recognized for all temporary differences between the carrying amount as per IFRS and the relevant tax assessment basis. Deferred tax liabilities are not recognized for temporary differences ("outside-basis differences") if the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities for dividends from subsidiaries will be recognized if the parent company determines that the profits of the respective subsidiary will be distributed in the foreseeable future. Deferred tax assets contain tax assets that are derived from the expected utilization of unused tax losses and unused tax credits, unless it is improbable that the future taxable profits will be available against which the temporary differences can be utilized. Deferred taxes are calculated on the basis of the tax rates that are expected to apply to the period when the asset is realized and the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period in the respective country.

A.6.2.14 Provisions

A.6.2.14.1 Pension provisions

Companies within the Group operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income.

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When a settlement or a curtailment occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognized in the income statement during the period in which the settlement or curtailment occurs.

The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions after considering any legal or contractual minimum funding requirements. The minimum funding requirements stipulate a minimum amount or level of contributions that must be made to a plan over a given period and may limit the ability of the entity to reduce future contributions and considered respectively in determining the economic benefit from the plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A.6.2.14.2 Warranties

A provision is recognized for expected warranty claims on products sold during the year, based on past experience of the level of repairs and returns although it is expected that most of these costs will be paid out in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

A.6.2.14.3 Tax provisions and other provisions

Provisions for tax and other purposes are recognized to accommodate the possibility that current legal or constructive obligations against third parties resulting from a past event exist, and that it is probable that an outflow of economic benefits will be required to settle the obligation, and that the amount of these obligations can be estimated reliably.

Long-term provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Short term provisions are carried at their redemption value and are not offset against receivables from reimbursements.

A.6.2.15 Government Grants and grants from private companies & institutions

Government grants are recognized when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to the acquisition costs of the respective fixed asset and thus are released as income over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate as the conditions attached to the grants are met.

Grants from private companies and institutions are accounted for in a manner similar to the accounting for government grants, if the grants are comparable to government grants in their nature and the conditions related to these grants are satisfied.

A.6.2.16 Liabilities

Liabilities from finance lease are initially carried at equal to the fair value of leased property, or if lower, the present value of minimum lease payments. The lease payments are then separated into financing costs and the redemption of the remaining liability.

A.6.2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

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Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

A.6.2.18 Recognition of income and expenses

Sales revenue and other operating income is recognized when ownership of an asset changes hands or the opportunities and risks related to the property are transferred to the customer, when the amount of the income has been determined or can be determined, and when there is sufficient likelihood that the economic benefit from the sale will flow to the Group. Sales revenue from the sale of goods is measured at the fair value of the consideration received or to be received less product returns, rebates and discounts for early payment. Revenues from the sale of services are recorded with respect to the stage of completion as of the reporting date in relation to the total service to be provided in the course of the transaction.

Operating expenses are recognized when goods or services are used or when the expense is incurred. Anticipated losses from construction contracts are directly recognized as expenses.

Interest is recognized using the effective interest method as an expense or income for the period in which it occurs. Interest payments for finance leases are calculated by breaking down the minimum lease payments into financing costs and redemption payments for the remainder of the liability and spreading the financing costs over the periods covered by the term of the leasing agreement. This allows a constant, periodic interest rate for the remainder of the liability to be calculated. Payments from operating leases are recognized over the term of the leasing agreement using a straight-line distribution in the income statement.

Dividend income is recognized when the right to receive payment is established.

A.6.2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the supervisory board that makes strategic decisions.

A.6.2.20 Changes in accounting policies and disclosures

The IASB has adopted the following changes to existing IFRS and adopted new IFRS standards, which have also already been adopted by the European Commission, thereby making their application mandatory as for Financial Year 2014-15 to the extent relevant for the Group.

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New standards and interpretations

Amendments to IFRS 10, IFRS 12 and IAS 27)	Investment Entities
Amendments to IAS 32	Offsetting financial instruments asset and liability
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of interests in other entities
IAS 27	Separate financial statements
IAS 28	Investments in Associates and Joint Ventures
Amendments to IFRS 10, 11, 12	Transition guidance
Amendments to IAS 36	Recoverable Amount disclosures for Non-Financial Assets

The first-time adoption of the new or revised IFRS did not have any material effect on the net asset, financial or income position of the Group.

Future changes to accounting regulations

The IASB and IFRIC have adopted further standards and interpretations, but the adoption of these is not mandatory for the reporting period or they have not been endorsed by the European Commission. Accordingly the Group has elected not to early adopt these standards and interpretations in preparing the consolidated financial statements. This concerns the following standards and interpretations relevant to the Group:

	Adoptions for reporting periods that begin on or after the specified date (in accordance with EU endorsement)
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
Annual Improvements to IFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011 - 2013 Cycle	1 July 2014
Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11)	Not yet endorsed
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	Not yet endorsed
IFRS 15 Revenue from Contracts with Customers	Not yet endorsed
IFRS 9 Financial Instruments	Not yet endorsed
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	Not yet endorsed
Amendments to IAS 1: Disclosure Initiative	Not yet endorsed
Annual Improvements to IFRSs 2012 - 2014 Cycle	Not yet endorsed
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet endorsed
Amendments to IAS 27: Equity Method in Separate Financial Statements	Not yet endorsed

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From a current point of view there will not be any material effects on the Group's net assets, financial position and results of operations from the first-time application of the new or revised standards and interpretations.

However, the effects are not analysed finally yet. An early adoption of any of the new standards and interpretations is not planned.

A.6.3 Business combination

Acquisition of Scherer & Trier group (in administration):

During the year, the Company through its subsidiaries purchased the entire German and Mexican business of Scherer & Trier group (S&T), Germany from its administrator through its step down subsidiaries on 30th January 2015.

The purchase agreement was executed between SMRP BV, through its step down subsidiaries in its capacity as Purchaser and insolvency administrator in his capacity as Seller as follows:

1. Fixed Assets excluding land & building and inventory & other receivables were acquired by Samvardhana Motherson Innovative Autosystems B.V. & Co. KG.
2. Land & building were acquired by SM Real Estate GmbH.
3. Shares of Mexican entities were acquired by Samvardhana Motherson Reflectec Group Holdings Limited and Samvardhana Motherson Peguform GmbH in ratio of 99:1.

The purchase agreement came into effect from closing date of January 30th, 2015.

The acquisition cost amounting to Euro 35,763,684 comprises of following:

1. Purchase price of the assets including land and building & inventories for German entities.
2. 100% shares held in Mexican entities

The acquisition cost allocated to purchase price of assets including land and buildings & inventories for German Entities amounts to Euro 35,763,384 and acquisition cost allocated to purchase of shares of Mexican entities amounts to Euro 300.

Allocation of acquisition cost to the assets acquired and liabilities assumed

The following table summarises the recognized amounts of identifiable assets and liabilities assumed at the date of acquisition.

<u>Particulars</u>	<u>Amount</u>
Total consideration transferred	<u>35,764</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (see note A.6.4.2)	22,612
Intangible assets (see note A.6.4.1)	10,417
Inventories	19,665
Trade receivable and other assets	4,806
Deferred tax assets	61
Cash and cash equivalents	457
Trade payables	(3,714)
Pension and other provisions	(1,013)
Tax liabilities	(427)
Deferred tax liabilities	<u>(3,771)</u>
Total identifiable net assets	<u>49,903</u>
Excess of acquirer's interest in the fair value of acquirer's identifiable net assets (see note A.6.5.3)	13,329
Total	<u>35,764</u>

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The following approaches have been applied in recognition of major assets purchased and liabilities assumed:

Customer relationships

Following the internal process of customer management the fair value of customer relationships was measured from a global view. These are based on follow-up business of acquiree.

Order backlogs

Following the internal process of customer management the fair value of order backlog was measured from a global view. These are based on booked business of acquiree including price increases from few customers.

A.6.4 Disclosures regarding the Consolidated Statement of Financial Position

A.6.4.1 Intangible assets

	Concessions, Intellectual Property, Software and Similar rights	Patents & Technology	Contracts with customers	Advance payment	Total
Cost					
At January 01, 2013	11,175	25,909	18,583	—	55,667
Additions	2,201	—	—	—	2,201
Disposals	(361)	—	—	—	(361)
Reclassifications	674	—	—	—	674
Foreign currency translation	(102)	—	(117)	—	(219)
At March 31, 2014	13,587	25,909	18,466	—	57,962
Amortization					
At January 01, 2013	4,886	7,327	3,635	—	15,848
Amortization charge	4,158	4,563	2,837	—	11,558
Disposals	(88)	—	—	—	(88)
Reclassifications	(9)	—	—	—	(9)
Foreign currency translation	(47)	—	(73)	—	(120)
At March 31, 2014	8,900	11,890	6,399	—	27,189
Net book value March 31, 2014	4,687	14,019	12,067	—	30,773
Cost					
At April 1, 2014	13,587	25,909	18,466	—	57,962
Additions	1,361	—	—	1,000	2,361
Acquisitions through business combinations	500	110	9,807	—	10,417
Disposals	(51)	—	(183)	—	(234)
Reclassifications	913	—	—	—	913
Foreign currency translation	303	—	487	—	790
At March 31, 2015	16,613	26,019	28,577	1,000	72,209
Amortization					
At April 1, 2014	8,900	11,890	6,399	—	27,189
Amortization charge	2,616	3,330	2,303	—	8,249
Disposals	(51)	—	(183)	—	(234)
Reclassifications	(3)	—	—	—	(3)
Foreign currency translation	93	—	295	—	388
At March 31, 2015	11,555	15,220	8,814	—	35,589
Net book value March 31, 2015	5,058	10,799	19,763	1,000	36,620

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The remaining economic useful lives of the major intangible assets are as follows:

	Years
Patents & Technology	4-10
Contracts with customers	1-8

Expenses for research and development for the year ended March 31, 2015 amounted to k€ 42,085 (previous year: k€ 47,112).

As at March 31, 2015, intangible assets with a net book value of k€ 2,153 (March 31, 2014: k€ 3,701) were subject to security for bank borrowings.

A.6.4.2 Property, plant and equipment

	Land and buildings	Machinery and other technical facilities	Tooling	Other plant and office equipment	Construction work in progress + Capital Adv.	Total
Cost						
At January 01, 2013	219,941	345,035	25,403	38,568	40,541	669,488
Additions	10,324	25,414	1,175	5,646	103,930	146,489
Disposals	(1,477)	(9,549)	(1,102)	(2,814)	(1,549)	(16,491)
Reclassifications	12,565	29,172	6,068	2,769	(52,016)	(1,442)
Foreign currency translation	(7,249)	(10,429)	(1,098)	(1,044)	(397)	(20,217)
At March 31, 2014	234,104	379,643	30,446	43,125	90,509	777,827
Depreciation and Impairment						
At January 01, 2013	13,689	64,586	11,946	13,790	8	104,019
Depreciation charge for the period	11,539	62,474	5,378	10,384	—	89,775
Impairment	215	2,479	—	6	—	2,700
Disposals	(1,162)	(6,772)	(385)	(2,395)	—	(10,714)
Reclassifications	—	(96)	—	105	—	9
Foreign currency translation	(387)	(2,725)	(644)	(338)	—	(4,094)
At March 31, 2014	23,894	119,946	16,295	21,552	8	181,695
Net book values at March 31, 2014	210,210	259,697	14,151	21,573	90,501	596,132
Cost						
At April 1, 2014	234,104	379,643	30,446	43,125	90,509	777,827
Additions	18,485	35,017	3,438	6,290	152,064	215,294
Acquisition through business combinations	11,297	8,432	32	2,851	—	22,612
Disposals	(220)	(5,711)	(4,759)	(2,712)	(800)	(14,202)
Reclassifications	16,790	31,936	2,150	2,215	(54,034)	(943)
Foreign currency translation	15,832	19,539	6,390	1,454	6,647	49,862
At March 31, 2015	296,288	468,856	37,697	53,223	194,386	1,050,450
Depreciation and Impairment						
At April 1, 2014	23,894	119,946	16,295	21,552	8	181,695
Depreciation charge for the period	9,625	54,758	5,326	8,772	—	78,481
Impairment	—	—	—	—	—	—
Disposals	(2)	(4,708)	(2,838)	(2,584)	—	(10,132)
Reclassifications	33	—	—	—	—	33
Foreign currency translation	1,609	7,399	3,439	964	11	13,422
At March 31, 2015	35,159	177,395	22,222	28,704	19	263,499
Net book values at March 31, 2015	261,129	291,461	15,475	24,519	194,367	786,951

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As at March 31, 2015, property, plant and equipment with a net book value of k€ 179,214 (March 31, 2014: k€ 437,923) were subject to security for bank borrowings. (see note A.6.4.13).

During the year ended March 31, 2014 damages occurred to the assets at one of the Group's plant at Polinya, Spain due to fire outbreak and therefore the Group recognized an impairment loss of k€ 2,700 and the related expense has been charged under Depreciation and Amortization cost in Income statement.

During the year, the Group has capitalized borrowing costs amounting to k€ 1,421 (March 31, 2014: k€ 590) on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 4.12%.

The following table presents the movement of the carrying amounts of the finance lease assets reported in property, plant and equipment:

	<u>Land and buildings</u>	<u>Machinery & other technical facilities</u>	<u>Other plant and office equipment</u>	<u>Total</u>
Cost				
At January 01, 2013	17,019	26,561	120	43,700
Additions	—	7,989	—	7,989
Disposals	—	(9)	—	(9)
Reclassifications	—	(8,257)	—	(8,257)
Foreign currency translation	(124)	(832)	(5)	(961)
At March 31, 2014	<u>16,895</u>	<u>25,452</u>	<u>115</u>	<u>42,462</u>
Depreciation and Impairment				
At January 01, 2013	1,015	221	115	1,351
Depreciation charge for the period	649	3,616	2	4,267
Reclassification	—	(33)	—	(33)
Foreign currency translation	(63)	(39)	(5)	(107)
At March 31, 2014	<u>1,601</u>	<u>3,765</u>	<u>112</u>	<u>5,478</u>
Net book values at March 31, 2014	<u>15,294</u>	<u>21,687</u>	<u>3</u>	<u>36,984</u>
Cost				
At April 1, 2014	16,895	25,452	115	42,462
Additions	—	2,213	63	2,276
Disposals	—	(6,335)	—	(6,335)
Reclassifications	—	—	—	—
Foreign currency translation	802	1,139	135	2,076
At March 31, 2015	<u>17,697</u>	<u>22,469</u>	<u>313</u>	<u>40,479</u>
Depreciation and Impairment				
At April 1, 2014	1,601	3,765	112	5,478
Depreciation charge for the period	484	2,890	17	3,391
Disposals	—	(852)	—	(852)
Reclassification	—	—	—	—
Foreign currency translation	287	(232)	103	158
At March 31, 2015	<u>2,372</u>	<u>5,571</u>	<u>232</u>	<u>8,175</u>
Net book values at March 31, 2015	<u>15,325</u>	<u>16,898</u>	<u>81</u>	<u>32,304</u>

All leasing agreements have a defined minimum term of lease. Once the lease term ends, the lessor has the right to sell the leased assets at the agreed residual value. The residual values are pre-financed, making the exercise of the put option a non-monetary transaction, which also does not affect the income statement.

Lease liabilities are secured by finance lease assets as on March 31, 2015 of k€ 32,304 (March 31, 2014: k€ 36,984) (see note A.6.4.13).

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A.6.4.3 Investment properties

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Cost		
At beginning of the year	12,637	12,597
Additions	—	40
At end of the year	<u>12,637</u>	<u>12,637</u>
Depreciation and Impairment		
At beginning of the year	1,370	998
Depreciation charge for the period	267	372
At end of the year	<u>1,637</u>	<u>1,370</u>
Net book values at end of the year	<u>11,000</u>	<u>11,267</u>

The fair value of investment properties as on March 31, 2015 is k€ 11,440 (March 31, 2014: k€ 11,340). The fair value has been determined based on valuations performed by an accredited independent valuer and falls in the Level 2 of financial instruments valuation hierarchy.

The investment properties comprise a number of commercial properties that are leased to third parties. The leases contain an initial non-cancellable period of 5 years and subsequent renewals are negotiated with the lessee. No contingent rents are charged.

As the year end, the future minimum lease payments under non-cancellable leases are receivable are follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Not later than one year	642	867
Later than one year and not later than five years	581	1,003
	<u>1,223</u>	<u>1,870</u>

During the year, following amounts were recognized in the statement of profit and loss in respect of investment properties:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Rental income from rented properties, all leased under operating leases	1,071	1,102
Other operating income	112	103
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; and	—	—
Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period.	(1,048)	(668)
The cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used.	—	—
Net rental income from rented properties	<u>135</u>	<u>537</u>

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A.6.4.4 Joint ventures accounted for using the equity method

	Joint Ventures
Costs	
At January 01, 2013	12,895
Addition on acquisition	—
Share of the profits or loss of joint ventures using the equity method	3,453
Addition	1,947
Divestment	—
Dividend payment	(100)
At March 31, 2014	18,195
Costs	
At April 1, 2014	18,195
Addition on acquisition	—
Share of the profits or loss of joint ventures using the equity method	9,400
Addition	—
Divestment	—
Dividend payment	(500)
At March 31, 2015	27,095

A.6.4.4.1 Joint ventures accounted for using the equity method

The Group's interest in following entities is accounted for using the equity method in the consolidated financial statements. There is no quoted market price for these investments. Summarized financial information of the joint ventures, based on their IFRS financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

Value of investments in joint ventures

Name of the entity	March 31, 2015	March 31, 2014
Ningbo SMR Huaxiang Automotive Mirrors Co., Ltd (NSHAM)	10,663	7,411
(including Chongqing SMR Huaxiang automotive Products Ltd) (CHSPAL)		
Eissmann SMP Automotive Interieur Slovensko s.r.o. (Eissmann)	3,021	1,947
Celulosa Fabril S.A. (CEFA)	13,411	8,837
(including Modulos Ribera Alto S.LU. (MRA))		
Total	27,095	18,195

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Summarized financial information of joint ventures

<u>Name of the Company</u> <u>Percentage ownership interest</u>	March 31, 2014			Group's share
	NSHAM/ CHSPAL 50%	CEFA 50%	Eissmann 49%	
Balance Sheet				
Non-current assets	15,078	30,442	1,574	23,531
Current assets	37,131	28,463	2,852	34,195
Gross assets	52,209	58,905	4,426	57,726
Current liabilities	25,491	25,310	452	25,622
Non-current liabilities	401	15,920	—	8,156
Gross liabilities	25,892	41,230	452	33,778
Net assets	26,317	17,675	3,974	23,948
Group's interest	13,159	8,837	1,947	23,943
Less: foreign currency translation in JV's books	5,748	—	—	5,748
Carrying value of investment	7,411	8,837	1,947	18,195
Above net assets include				
Cash and cash equivalents	6,318	2,014	2,057	5,408
Current financial liabilities (excluding trade payable and other provisions)	2,618	2,296	—	5,129
Non-Current financial liabilities (excluding trade payable and other provisions)	—	7,119	—	7,391
Results				
Revenue	89,463	46,638	—	72,604
Expense	(82,698)	(46,259)	—	(69,151)
Profit for the period	6,765	379	—	3,453
Other comprehensive income	—	—	—	—
Total comprehensive income	6,765	379	—	3,453
Above results include				
Depreciation and amortization	2,141	(3,517)	—	(688)
Interest income	51	287	—	169
Interest expense	306	(671)	—	(182)
Income tax expense/ income	1,253	(598)	—	327

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<u>Name of the Company</u>	March 31, 2015			<u>Group's share</u>
	NSHAM/ CHSPAL	CEFA	Eissmann	
<u>Percentage ownership interest</u>	<u>50%</u>	<u>50%</u>	<u>49%</u>	
Balance Sheet				
Non-current assets	24,894	38,210	6,998	34,981
Current assets	58,399	40,314	7,621	53,091
Gross assets	83,293	78,524	14,619	88,072
Current liabilities	41,140	35,598	8,375	42,473
Non-current liabilities	606	16,105	77	8,388
Gross liabilities	41,746	51,703	8,452	50,861
Net assets	41,547	26,821	6,167	37,211
Group's interest	20,773	13,411	3,021	37,205
Less: foreign currency translation in JV's books	10,110	—	—	10,110
Carrying value of investment	10,663	13,411	3,021	27,095
Above net assets include				
Cash and cash equivalents	16,972	4,313	2,038	12,434
Current financial liabilities (excluding trade payable and other provisions)	990	2,374	—	3,686
Non-Current financial liabilities (excluding trade payable and other provisions)	—	8,481	—	6,186
Results				
Revenue	79,775	68,300	39,277	110,724
Expense	(73,272)	(61,930)	(37,084)	(101,324)
Profit for the period	6,503	6,370	2,193	9,400
Other comprehensive income	—	—	—	—
Total comprehensive income	6,503	6,370	2,193	9,400
Above results include				
Depreciation and amortization	2,073	(4,252)	(515)	(1,342)
Interest income	—	423	—	212
Interest expense	(34)	(1,112)	—	(573)
Income tax expense/ income	1,110	(1,122)	(803)	(399)

As the year end, the Group has following contractually fixed capital commitments in relation to its joint ventures:

<u>Capital commitments</u>	March 31, 2015	March 31, 2014
NSHAM/CHSPAL	526	1,527

As at the year end, there are no restrictions on the ability of the joint ventures to transfer funds to the Group. Also there are no contingent liabilities incurred relating to the Group's interest in joint ventures.

A.6.4.5 Investment in associates

During the year, SMR Group has reduced its shareholding in Re-Time Pty Limited (Re-Time), Australia to 35% from 40.6%.

Re-Time is a technology company which owns certain intellectual property rights through which it designed, developed and commercialised Re-Timer glasses, these glasses intend to reset your internal body clock and help you overcome jet lag without drug use.

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The Group has acquired its interest:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Opening	307	395
Disposal of investment	(49)	—
Share of Profit	33	(29)
Exchange Difference	16	(59)
At 31st March	<u>307</u>	<u>307</u>

The following tables illustrate summarized financial information of Re-Time:

	<u>March 31, 2015</u>		<u>March 31, 2014</u>	
	<u>Group's share</u>	<u>Total</u>	<u>Group's share</u>	<u>Total</u>
RE-TIME balance sheet				
Non-current assets	89	255	133	326
Current assets	126	359	59	145
Gross assets	<u>215</u>	<u>614</u>	<u>192</u>	<u>471</u>
Current liabilities	15	42	7	18
Non-current liabilities	—	—	—	—
Gross liabilities	<u>15</u>	<u>42</u>	<u>7</u>	<u>18</u>
Net assets	<u>200</u>	<u>572</u>	<u>185</u>	<u>453</u>
Above net assets include				
Cash and cash equivalents	58	164	45	112
Current financial liabilities (excluding trade payable and other provisions)	—	—	—	—
Non-Current financial liabilities (excluding trade payable and other provisions)	—	—	—	—
RE-TIME results				
Revenue	269	769	293	721
Expense	236	673	322	792
(Loss) for the period	33	96	(29)	(71)
Above results include				
Depreciation and amortization	—	—	—	—
Interest income	—	—	1	3
Interest expense	—	—	3	8
Income tax expense/ income	—	—	—	—

A.6.4.6 Other financial instruments

	<u>March 31, 2015</u>		<u>March 31, 2014</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Cross Currency Swap	—	—	22	1,051
Other Financial investments	1,174	62	10	—
Less: Non Current Portion	5	—	24	810
Current Portion	<u>1,169</u>	<u>62</u>	<u>8</u>	<u>241</u>

The maximum exposure to the credit risk is carrying value of instruments. The notional principal amounts of the outstanding forward foreign exchange contracts as on March 31, 2015 is k€ 62,430 (March 31, 2014: k€ 57,838).

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A.6.4.7 Inventories

Inventories comprise the following:

	March 31, 2015	March 31, 2014
Raw materials and manufacturing supplies	94,391	88,506
Work in progress	24,212	19,005
Finished goods and goods for trading	50,107	39,253
	168,710	146,764

During the year, inventories of k€ 8,146 (March 31, 2014: k€ 2,216) were written down on account of impairment. The amounts of the impairments are calculated based on an analysis of various factors. The most important factors included in this analysis are: aging of inventories, current market conditions and turnover of individual items. During the year, the Group recognized reversal of impairment amounting to k€ 5,659 (March 31, 2014: k€ 3,171) as the related goods were sold during the year at prices equal to or above the cost. The amount of such impairments and reversals of impairment are recognized as “Cost of materials” in the statement of profit and loss.

As at March 31, 2015, inventories amounting to k€ 88,440 (March 31, 2014: k€ 101,217) were pledged as security for various bank borrowings. (see note A.6.4.13).

A.6.4.8 Trade receivables, tax receivables and other receivables

	March 31, 2015	March 31, 2014
Non Current		
Non Current Investments/Others	162	128
Trade receivables (third parties)	25,988	16,753
Others	1,775	5,343
	(a) 27,925	22,224
Current		
Trade receivables (third parties)	458,949	403,830
Tax receivables	(b) 458,949	403,830
Income tax receivables	(c) 283	309
Other receivables		
Trade receivables from companies accounted for using the equity method and related parties	5,955	2,263
Other tax receivables	19,751	10,638
Deposits	2,726	1,850
Prepaid expenses	8,152	6,456
Advanced payments	12,987	9,332
Supplier bonus	4,099	3,676
Other	18,403	16,080
	(d) 72,073	50,295
Total (a+b+c+d)	559,230	476,658

The carrying amount of the non current trade receivables as at March 31, 2015 is calculated using discount rates of 1%-8% (March 31, 2014: 1%-5%).

Other tax receivables mainly comprise receivables from input VAT.

The carrying values approximately correspond to the fair values. Trade receivables as at March 31, 2015 were reported after deducting impairments amounting to k€ 7,408 (March 31, 2014: k€ 5,837). The impairments are reported in the income statement under the item “Other operating expenses”.

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A.6.4.8.1 Construction Contracts

The net position of constructions contracts and amount due to/from customers for contract work comprises the following:

	<u>Year ended March 31, 2015</u>	<u>Year ended March 31, 2014</u>
For contracts in progress:		
- The aggregate costs incurred and recognized profits (less recognized losses) to date	223,004	137,979
- the amount of advances received;	47,076	25,489
- the amount of retentions	—	—
Amount of contract revenue recognized as revenue in the period	339,054	248,180
Gross amount due from customers for contract work as an asset	223,004	137,979
Gross amount due to customers for contract work as a liability	—	—

A.6.4.9 Cash and cash equivalents

	<u>Year ended 31 March 2015</u>	<u>Year ended 31 March 2014</u>
Cash at bank	184,021	85,578
Cash in hand	123	123
	<u>184,144</u>	<u>85,701</u>

According to the Non-recourse Facility Agreement, minimum cash at bank has to amount to k€ Nil as on March 31, 2015 (March 31, 2014: k€ 1,484)

A.6.4.10 Shareholder's equity

Share Capital

The authorized share capital of the Company amounts to € 90,000, divided into 90,000 shares with a nominal value of € 1 each. The issued and paid in capital amounts to € 66,176, divided into 66,176 shares with a nominal value of € 1 each.

	<u>Number of equity shares (in No.s)</u>	<u>Share Capital (in €)</u>
As at January 01, 2013	18,000	18,000
Add: Issued during the period	2,500	2,500
As at March 31, 2014	20,500	20,500
Add: Issued during the year	45,676	45,676
As at March 31, 2015	66,176	66,176

Currency translation reserve

Currency translation reserve comprises of all foreign exchange differences arising on the translation of the results and financial position of subsidiaries whose functional currencies differ from the Group's reporting currency.

Retained earnings

Retained earnings comprises accumulated profits/ (losses) of the Group and also include actuarial gains / losses arising on post-employment defined benefit plans and related tax impacts.

Merger reserve

The merger reserve represents the differences on consolidation arising on the adoption of predecessor accounting. This comprises the difference between consideration paid and the book value of net assets acquired in the transaction.

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Share premium

On June 13, 2014 the Company issued 45,676 shares of € 1 each to Samvardhana Motherson Group Holdings Limited, Cyprus (SMGHL) in lieu of acquisition of 98.45% interest in Samvardhana Motherson Reflectec Group Holdings Limited (SMR) for a non-cash consideration of k€ 905,716 consisting of € 45,676 towards share capital and transfer of k€ 12,250 loan from MSSL Mideast (FZE), the remaining amount of k€ 893,420 was recognised as share premium.

A.6.4.11 Provision for pension liabilities

SMP Group mainly operates a defined benefit pension plan in Germany based on employee pensionable remuneration and length of service. The plan is unfunded. The pension plan is closed since 2004. That means that as of this date it was not possible for new members to join the plan.

SMR Group has various defined benefit plans, which consider final salary as well as average salary components in order to determine the benefits for the pensioners. Different pension plans are operated by the Group in UK, Germany, Mexico and South Korea. The schemes in the UK and South Korea are administered by separate trust funds.

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
As at beginning of the period	25,284	19,918
Current service cost	1,457	4,730
Interest Expense / (Income)	1,075	1,085
Benefits paid	(1,570)	(709)
Curtailement / settlement loss	—	21
Actuarial (gains) or losses	4,432	774
Foreign currency differences	4,073	(293)
Reclassifications	(15)	(242)
As at end of the period	<u>34,736</u>	<u>25,284</u>
	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Re-measurements:		
- Return on plan assets, excluding amounts included in interest exp/ (income)	3,927	775
- (Gain)/loss from change in demographic assumptions	369	(3)
- (Gain)/loss from change in financial assumptions	4,160	(84)
- Experience (gains)/losses	(87)	154
- Change in asset ceiling, excluding amounts included in interest exp.	(5,794)	(165)
Total	<u>2,575</u>	<u>677</u>

The amounts recognized in the income statement are analysed as follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Recognized in the income statement		
A. Recognized in arriving at operating result		
Current service cost	1,457	4,730
The effect of any curtailment of settlement	—	21
Running Costs	464	101
Net benefit expense	<u>1,921</u>	<u>4,852</u>
Other finance costs / Income		
Interest income on scheme assets	(989)	(1,050)
Effect of limitation of plan assets	250	255
Interest costs on scheme liabilities	1,075	1,085
Other finance costs (net)	<u>336</u>	<u>290</u>

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The pension provisions correspond to each of the defined-benefit obligations at their present value. The expenses are reported under the item “Financial expenses” (under “Interest expenses on defined benefit obligations”) and “Personnel expenses” (under “Defined-benefit plan expenses”).

The amounts taken to the Statement of Comprehensive Income are as follows:

The assets and liabilities of the schemes are:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Scheme assets at fair value		
Equities	—	2,678
Bonds and gilts and others	21,911	16,858
Cash	599	121
Fair value of scheme assets	22,510	19,657
Defined Benefit Obligation	34,736	25,284
Thereof funded	22,195	17,345
Thereof unfunded	12,541	7,939
Funding status—deficit / (surplus)	12,226	5,627
Amount not recognized because of the limitation of assets	—	4,914
Defined benefit pension plan deficit	12,226	10,541

Changes in the fair value of plan assets are analysed as follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
As at beginning of the period	19,657	18,138
Return on plan assets	989	1,050
Contributions made by the Group	2,982	1,984
Benefits paid	(813)	(551)
Running Cost	(464)	(101)
Actuarial gains / (losses) on plan assets	(3,927)	(776)
Settlement benefit paid by Insurance Contract	—	—
Foreign currency differences	4,086	(87)
As at end of the period	22,510	19,657

Pension provisions are calculated on the basis of assumptions. The most significant actuarial assumptions were as follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Actuarial assumptions		
Rate of salary increases	2% - 7.5%	2% - 7.5%
Rate of increase in pension	1.75% to 2.90%	1.80% to 3.30%
Mortality Table	—	—
Discount rate	1.35% - 7.90%	2.8% - 9.07%

The amounts recorded in the balance sheet as a provision for pensions developed as follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
As at beginning of the period	10,541	7,283
Expense recorded in the period	2,257	5,142
Benefits paid	(757)	(158)
Contributions made by the Group	(2,982)	(1,984)
Amount recognized in Consolidated Statement of Comprehensive		
Income	2,575	677
Liability extinguished on sale of business	—	—
Settlement	—	—
Foreign currency differences	607	(182)
Other (reclassification and net transfer out)	(15)	(237)
As at end of the period	12,226	10,541
Thereof recorded as a provision	12,226	10,541

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Sensitivity of the Defined Benefit Obligation

As on March 31, 2015

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(2,198)	2,787
Salary growth rate	0.50%	695	(382)
Pension growth rate	0.50%	505	(457)
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		871	(871)

Expected contributions to post-employment benefit plans for the year ending March 31, 2016 are k€ 2,337.

The effects of the limitation of recognition of return on plan assets result from the closure of the UK Pension plan. Under IAS 19, the pension asset which can be recognized on the balance sheet is limited to the extent that it is recoverable by the Company through reduced contributions for future pensionable service and agreed refunds. Given that no refunds have been agreed and as no future service benefits or contributions are currently expected, the maximum asset that can be recognized has been limited to the extent of pension obligation recognized.

Defined contribution plans

During the year, the Company recorded an expense of k€ 17,644 (March 31, 2014 : k€ 19,779) towards defined contribution plans. The expenses are included in income statement under Personnel Expenses.

A.6.4.12 Other provisions

	Warranties	Site Restoration	Personnel related	Other	Total
At January 01, 2013	7,403	294	1,465	483	9,645
Arising during the period	8,761	266	81	1,194	10,302
Utilized	(5,509)	(346)	(577)	(212)	(6,644)
Reversal of unused amounts	(28)	—	—	—	(28)
Foreign currency differences	(341)	(9)	(126)	—	(476)
At March 31, 2014	10,286	205	843	1,465	12,799
Current	9,032	205	81	1,098	10,416
Non-current	1,254	—	762	367	2,383
	10,286	205	843	1,465	12,799
At April 1, 2014	10,286	205	843	1,465	12,799
Arising during the year	9,523	—	198	1,598	11,319
Utilized	(7,415)	—	(81)	(404)	(7,900)
Reversal of unused amounts	(629)	—	—	(8)	(637)
Foreign currency differences	935	12	(73)	37	911
At March 31, 2015	12,700	217	887	2,688	16,492
Current	11,461	217	137	1,992	13,807
Non-current	1,239	—	750	696	2,685
	12,700	217	887	2,688	16,492

Warranties

A provision is recognized for expected warranty claims on products previously, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

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Site Restoration

Site restoration represents cost of removing the asset and/or restoring the site.

Personnel related provisions

Personnel related provisions mostly comprise accruals for miscellaneous employee cost.

A.6.4.13 Financial liabilities

	March 31, 2015	March 31, 2014
Non-current financial liabilities		
Liabilities to bank	503,262	246,842
Finance lease liabilities	10,936	19,715
Total non-current financial liabilities	514,198	266,557
Current financial liabilities		
Liabilities to bank	63,396	157,603
Finance lease liabilities	7,745	7,567
Total current financial liabilities	71,141	165,170

Liabilities to banks mainly comprise the € 500 million Senior Secured Notes issued during the financial year to refinance the existing debts in the Group.

The liabilities to banks include secured liabilities to banks and financial institutions of k€ 566,658 (March 31, 2014: k€ 404,445) as well as secured finance lease liabilities of k€ 18,681 (March 31, 2014: k€ 27,282). Liabilities to banks are secured by Intangible Assets, Property, plant and equipment, joint venture, inventory, trade receivables as well as cash and cash equivalents (see note A.6.4.1, A.6.4.2, A.6.4.4, A.6.4.7, A.6.4.8, A.6.4.9), finance lease are secured by land and buildings as well as technical plant and machinery (see note A.6.4.2).

For maturity profile of liabilities to bank and finance lease liabilities see note A.6.7.4.

The details of financial liabilities towards banks and financial institutions outstanding at year end are as follows:

As at March 31, 2015

Particulars	Loan Amount	Interest Rates	Current	Non-Current	Maturity
Term loan from banks	7,762	Euribor+3.25	262	7,500	10-Jul-19
	2,097	11%	559	1,538	1-Oct-18
	388	2%	49	339	31-Dec-17
Senior Secured Notes	485,525	4%	—	485,525	15-Jul-21
Term loan from others	610	0%	—	610	—
	865	4.87%~5.37%	48	817	30-Jun-26
	681	11%	61	620	30-Jun-22
	3,388	0%	527	2,861	30-Jun-20
	345	0%	—	345	30-Jun-25
	619	0%	—	619	30-Jun-25
	587	3,95% p.a.	—	587	31-Jul-26
	1,901	0%	—	1,901	30-Nov-22
Working capital loans	61,890	Varied	61,890	—	On demand
	566,658		63,396	503,262	

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As at March 31, 2014

Particulars	Loan Amount	Interest Rates	Current	Non-Current	Maturity
Term Loans:	7,182	Libor+3.5%	3,591	3,591	06-Jan-16
	9,024	Libor+2.40%	4,011	5,013	20-Mar-16
	8,420	Libor+2.60%	2,406	6,014	07-Aug-17
	15,000	Euribor+3.50%	3,750	11,250	14-Aug-17
	4,962	CDI+4%	1,220	3,742	05-Feb-16
*	2,273	MLR-1.25%	2,273	—	31-May-17
*	754	MLR-1.25%	754	—	28-Feb-18
	6,536	Libor+2.5%	—	6,536	25-Sep-15
	1,660	5.39%	390	1,270	25-Sep-18
	830	5.42%	151	679	10-Dec-19
	509	3.79%	—	509	30-Jun-15
	21,916	Libor+3.25%	5,844	16,072	22-Nov-16
	13,930	Libor+3.5%	5,018	8,912	22-Nov-16
	36,311	Libor+4%	—	36,311	22-Nov-16
	47,273	Libor+3.25%	12,707	34,566	22-Nov-16
	32,941	Libor+4%	11,222	21,719	22-Nov-16
	22,986	3MEuribor+3.9%	—	22,986	17-Oct-21
	56,058	3MEuribor+3.75%	12,000	44,058	22-Nov-17
	27,200	1/3M- Euribor+3.55%	27,200	—	22-Nov-16
	182	3MEuribor+3.75%	—	182	22-May-15
	68	Interest Payable	68	—	22-May-14
	21,869	3MEuribor+3.75%	4,800	17,069	22-Nov-17
	578	0%	578	—	06-June-2096
	656	4.87%~5.37%	—	656	30-Jun-26
	2,419	6.50%	1,268	1,151	28-Feb-16
	3,411	3.95%	—	3,411	31-Jul-26
Liabilities from Factoring arrangement	9,813	Varied	8,668	1,145	Varied
Working capital loans	49,684	Varied	49,684	—	On Demand
	404,445		157,603	246,842	

* As at March 31, 2014 SMR Automotive System (Thailand) Limited did not meet its covenant requirement regarding Debt Service Coverage Ratio (DSCR). Therefore non-current borrowing as on March 31, 2014 of k€ 3,027 was reclassified under current borrowings. The borrowing has been fully repaid during the year ended March 31, 2015.

The Group has financial covenants requirements (see note A.7.4), which all have been met.

Issue of Senior Secured Notes and Revolving Credit Facilities

During the year ended March 31, 2015, the Company issued Euro 500,000,000 4.125% Senior Secured Notes due 2021 (the “Notes”). The Notes bear interest at a rate of 4.125% payable semi-annually on January 15 and July 15 of each year and will mature on July 15, 2021. The Notes are listed on the Irish Stock Exchange and trade on the Global Exchange Market of the Exchange.

The Notes carry a prepayment option and as per the terms of the indenture the Company may at any time on or after July 15, 2017, redeem all or part of the Notes by paying the redemption prices set forth in the indenture. Prior to July 15, 2017, the Company is entitled at its option, to redeem all or a portion of the Notes by paying 100% of the principal amount of such Notes, plus accrued and unpaid interest, if any, plus a “make-whole” premium. In addition, prior to July 15, 2017, the Company may redeem, at its option, up to 35% of the Notes with the net proceeds from certain equity offerings.

The Notes are structured as senior secured obligations and will rank pari passu in right of payment with all the existing and future senior obligations of SMRP BV, including the obligations under the Revolving Credit Facility and the Secondary Revolving Credit Facility. The Notes are guaranteed on a senior secured basis by certain subsidiaries of SMRP BV and are secured by share pledge and security interests granted over certain property and assets of SMRP BV and certain of its subsidiaries.

The gross proceeds from the issuance of the Notes, directly or indirectly through the use of intercompany loans or distributions was utilized, after meeting initial notes issue expenses, for

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repayment of Third Party Indebtedness including shareholder loans amounting to € 429.7 Million and for working capital requirement and capex at subsidiaries amounting to € 54.0 Million.

SMRP BV also entered into Revolving Credit Facility Agreement with a consortium of banks on the date of issue of the Notes. SMRP BV is the original borrower under the Revolving Credit Facility Agreement. The Revolving Credit Facility Agreement is guaranteed by the Guarantors, and will benefit from the same collaterals as the Notes. The Revolving Credit Facility Agreement establishes revolving facility that provides for borrowing of an aggregate principal amount of up to €125.0 million (the “Revolving Credit Facility”) available for financing working capital and general corporate needs of SMRP BV and its subsidiaries as well as any permitted acquisitions and capital expenditure and funding any fees, costs and expenses. The facility matures in 2019. As at March 31, 2015 there is no utilization of the facility.

On June 17, 2014 SMP Deutschland GmbH entered into a secondary revolving credit facility agreement (the “Secondary Revolving Credit Facility Agreement”) with Standard Chartered Bank in an amount of €50.0 million, which matures in 2016. The Secondary Revolving Credit Facility is guaranteed on a senior basis by SMRPBV and the same subsidiaries of SMRPBV that guarantee the Notes. The obligations under the Secondary Revolving Credit Facility are secured on a pari passu basis by first priority security interests, subject to certain permitted liens, in the same Collateral that secure the Notes, the Revolving Credit Facility and certain hedging obligations. This facility is used as required to finance the production of products to deliver under certain sales contracts (including payments to sub-contractors in relation to such production), reimbursement of amounts expended by the borrower in connection with productions of products or payments to subcontracts and funding any fees, costs and expenses. As at March 31, 2015, an amount of k€ 33,994 has been utilized out of the facility.

A.6.4.14 Liabilities to related parties

	March 31, 2015	March 31, 2014
Non Current		
Loans from related parties	—	43,806
	—	43,806
Current		
Loans from related parties	—	12,270
Other liabilities	18,458	12,051
	18,458	24,321

For details on related party transaction see note A.6.7.6.

The interest rates of loans from related parties are based on 3M-6M Euribor/Libor plus spread of 2.6% to 4.0% for March 31, 2014. As at March 31, 2015, there are no loans outstanding from related parties.

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A.6.4.15 Trade payables, tax liabilities and other liabilities

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Non Current		
Advance received from Customers	18,072	16,650
Deferred revenue	2,288	—
Liabilities towards employees	8,662	7,237
Others	2,662	595
(a)	<u>31,684</u>	<u>24,482</u>
Current		
Trade Payables	(b) 566,402	399,626
Income Tax Liabilities	(c) 17,843	18,080
Other Liabilities		
Advance received from Customers	32,959	35,278
Liabilities towards employees	55,727	53,384
Other Tax Liabilities	30,980	27,076
Social security	3,644	2,360
Deferred revenue	13,634	179
Accruals	8,753	10,786
Redemption Liability put/call option	—	28,067
Others	16,555	19,893
(d)	<u>162,252</u>	<u>177,023</u>
Total (a+b+c+d)	<u>778,181</u>	<u>619,211</u>

Trade payables include liabilities arising out of contract work towards outstanding invoices from suppliers for contract work for customers as well as outstanding work to be performed with respect to engineering contracts charged to the customer after acceptance.

Liabilities towards other taxes mainly comprise liabilities from VAT.

A.6.4.16 Investment in subsidiaries

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held, except as disclosed. The parent company does not have any shareholdings in the preference shares, if any, of subsidiary undertakings included in the group.

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The group has non-controlling interest in the following subsidiaries.

Entity name	Country	Capital share	Minority shares	Voting rights
Samvardhana Motherson Reflectec Group Holdings Limited	Jersey	98.5%	1.5	98.5%
SMR Automotive Systems India Limited	India	51%	49%	51%
SMR Poong Jeong Automotive Mirrors Korea Limited	South Korea	90%	10%	90%
SMR Hyosang Automotive Limited	South Korea	90%	10%	90%
SMR Automotive (Langfang) Co. Limited	China	90%	10%	90%
SMR Grundbesitz GmbH & Company KG	Germany	93%	7%	93%
SMP Deutschland GmbH	Germany	95%	5%	95%
SMP Automotive Solutions Slovakia s.r.o.	Slovakia	95%	5%	95%
SMP Logistik Service GmbH (earlier known as SMP Automotive Solutions Personalleasings GmbH)	Germany	95%	5%	95%
Changchun Peguform Automotive Plastics Technology Ltd.	China	47.5%	50%-1	50%+1
SMP Automotive Technology Management Services (Changchun) Co. Ltd.	China	78.5%		100.0%
Foshan Peguform Automotive Plastics Technology Co. Ltd.	China	47.5%	50%-1	50%+1
SM Real GmbH	Germany	95%	5%	95%

The non-controlling interest in respect of SMR Automotive Systems India Limited (SMR India), Changchun Peguform Automotive Plastics Technology Ltd. (CPAT) and Foshan Peguform Automotive Plastics Technology Co. Ltd. (FPAT) is only considered to be material.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the group

Summarised balance sheet and income statement

Name of the Company	March 31, 2015			March 31, 2014		
	CPAT	FPAT	SMR India	CPAT	FPAT	SMR India
Balance Sheet						
Non-current assets	36,277	8,071	9,268	29,171	5,370	6,660
Current assets	100,713	3,383	18,352	65,334	3,530	13,996
Gross assets	136,990	11,454	27,620	94,505	8,900	20,656
Current liabilities	54,058	7,293	11,006	35,709	6,322	8,656
Non-current liabilities	—	645	2,642	—	—	2,156
Gross liabilities	54,058	7,938	13,648	35,709	6,322	10,812
Net assets	82,932	3,516	13,972	58,796	2,578	9,844
Results						
Revenue	222,169	7,746	48,176	261,965	268	55,745
Expense	(189,721)	(7,579)	(46,991)	(224,861)	(984)	(53,647)
Profit for the period	32,448	167	1,185	37,104	(716)	2,098
Other Comprehensive Income	—	—	—	—	—	—
Total Comprehensive Income	32,448	167	1,185	37,104	(716)	2,098
Dividends paid to non-controlling interest	11,976	—	—	11,378	—	—

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Summarised cash flows

Name of the Company	March 31, 2015			March 31, 2014		
	CPAT	FPAT	India	CPAT	FPAT	India
Cash flows from Operating Activities						
Cash generated from operations	28,215	2,942	4,735	41,575	3,108	653
Interest paid	20	1	(347)	(139)	—	(202)
Income tax paid	(5,376)	(53)	(666)	(6,334)	—	(999)
Net cash generated from operating activities	22,859	2,890	3,722	35,102	3,108	(548)
Net cash used in investing activities	(9,816)	(3,166)	(1,376)	(306)	(4,000)	(687)
Net cash used in financing activities	(23,951)	—	(2,311)	(22,758)	—	1,617
Net (decrease)/increase in cash and cash equivalent	(10,908)	(276)	35	12,038	(892)	382
Cash, cash equivalents and bank overdrafts at beginning of year	20,934	938	781	9,762	1,870	399
Exchange gains/(losses) on cash and cash equivalents	2,876	190	74	(866)	(39)	—
Cash and cash equivalents at end of year	12,902	852	890	20,934	939	781

The information above is the amount before inter-company eliminations.

A.6.5 Disclosures regarding the Consolidated Income Statement

A.6.5.1 Revenues

	Year ended March 31, 2015	15-months period ended March 31, 2014
Sale of products	3,145,013	3,471,497
Sale of tooling	339,054	248,180
Total	3,484,067	3,719,677

A.6.5.2 Changes in inventories

	Year ended March 31, 2015	15-months period ended March 31, 2014
Opening stock of finished goods	37,979	31,613
work-in-progress	19,005	20,758
Less: closing stock of finished goods	(48,890)	(37,979)
work-in-progress	(24,212)	(19,005)
Total	(16,118)	(4,613)

A.6.5.3 Other operating income

	Year ended March 31, 2015	15-months period ended March 31, 2014
Foreign exchange gain (net)	—	5,993
Subsidies /Income from investment Grants	3,851	4,583
Income from development work and other recoveries from Customers	8,225	5,661
Rental income	1,181	1,929
Royalty income	1,624	2,603
Gain from the sale of property, plant and equipment and Intangible assets	585	1,012
Provisions written back/Gain on reversal of bad debt allowance	884	3,735
Gain on bargain purchase	13,329	—
Income from de-recognition of liabilities	16,932	21,232
Other Income*	31,493	34,530
Total	78,104	81,278

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* Other Income includes insurance proceeds for fire at Polinya plant of k€ 20,546 (March 31, 2014: k€ 17,426) to recover the fixed costs which are included under other operating expenses.

A.6.5.4 Cost of materials

	<u>Year ended March 31, 2015</u>	<u>15-months period ended March 31, 2014</u>
Raw Material	2,340,498	2,466,274
Total cost of materials	<u>2,340,498</u>	<u>2,466,274</u>

A.6.5.5 Personnel expenses

	<u>Year ended March 31, 2015</u>	<u>15-months period ended March 31, 2014</u>
Wages and salaries	455,336	519,332
Paid labor rendered by third parties	102,347	101,860
Social security costs	78,062	87,731
Pensions costs from defined benefit plans	1,457	4,730
	<u>637,202</u>	<u>713,653</u>

The number of employees (headcounts) was as follows:

	<u>Year ended March 31, 2015 No's.</u>	<u>15-months period ended March 31, 2014 No's.</u>
Non Production Personnel	6,917	5,389
Production Personnel	14,380	12,743
Total	<u>21,297</u>	<u>18,132</u>

A.6.5.6 Depreciation and amortization

	<u>Year ended March 31, 2015</u>	<u>15-months period ended March 31, 2014</u>
Depreciation of property, plant and equipment	78,481	89,775
Depreciation on investment properties	267	372
Amortization of intangible assets	8,249	11,558
Impairment loss	—	2,700
Total	<u>86,997</u>	<u>104,405</u>

A.6.5.7 Other operating expenses

	<u>Year ended March 31, 2015</u>	<u>15-months period ended March 31, 2014</u>
General administration expenses *	126,102	135,753
Energy	58,609	69,534
Repairs and maintenance	55,672	65,356
Rent and lease	36,010	40,372
Freight and forwarding	33,990	38,807
Bad debts/advances written off	1,160	560
Auditors remuneration	4,192	5,078
Net foreign exchange loss	257	6,555
Legal and professional expenses	25,104	26,235
TOTAL	<u>341,096</u>	<u>388,250</u>

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* Expenses during March 31, 2015 includes k€ 15,243 (March 31, 2014: k€ 15,588) to recover the fixed assets due to fire at Polinya Plant.

A.6.5.8 Financial costs and income

	<u>Year ended March 31, 2015</u>	<u>15-months period ended March 31, 2014</u>
Interest Income	1,781	1,658
Foreign exchange gain	—	10,046
Total finance income	1,781	11,704
Interest expenses finance leases	1,285	1,918
Foreign exchange loss	234	1,126
Interest expense on borrowings	38,903	34,500
Interest expense on defined benefit obligations	1,075	1,085
Total finance cost	41,497	38,629

Foreign exchange gain / loss contain amounts from the revaluation of foreign currency financial liabilities.

A.6.5.9 Share of the profits or loss of joint ventures accounted for using the equity method

	<u>Year ended March 31, 2015</u>	<u>15-months period ended March 31, 2014</u>
Share of after-tax profits/(losses) of joint venture accounted for under the equity method	9,400	3,453

Section A.6.4.4 contains further details related to the participation in joint ventures.

A.6.5.10 Share of the profits or loss of associates accounted for using the equity method

	<u>Year ended March 31, 2015</u>	<u>15-months period ended March 31, 2014</u>
Share of after-tax profits/(losses) of associate accounted for under the equity method	33	(29)

Section A.6.4.5 contains further details related to the participation in associates.

A.6.6 Income taxes

Deferred income taxes are calculated using the balance-sheet based liability method. Deferred tax assets and liabilities are recognized for all temporary differences between the carrying amount of an asset or liability and the values used for taxation purposes. Deferred tax assets are also recognized for tax-loss carry forwards to the extent it is probable that future taxable profits will be available. For this reason, the recognition of all deferred tax assets based on tax losses is carried out with suitable consideration given to their realisation. Deferred taxes are determined on the basis of tax rates that have been enacted or substantially enacted by the end of the reporting period.

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The income tax credit/expense for the three years comprises the following:

	Year ended March 31, 2015	15-months period ended March 31, 2014
Current Year	38,388	38,188
Prior year adjustments	335	(211)
Current Tax expense	38,723	37,977
Development and reversal of temporary differences	(6,650)	(2,740)
Prior year adjustments	(299)	—
Effect of reported tax losses	(1,376)	(1,227)
Others	(196)	—
Deferred tax (expense)/credit	(8,521)	(3,967)
Total income taxes	30,202	34,010

There is no significant change in corporate tax rates, in jurisdictions where group operates, having material impact on current charge and future adjustment to the carrying amounts of assets and liabilities.

This statement enables the expected tax expense to be reconciled with the effective tax expense reported.

<u>Reconciliation of the effective tax rate</u>	Year ended March 31, 2015	15-months period ended March 31, 2014
Earnings before income tax	142,213	109,485
Tax on profit	13,343	3,746
Foreign tax rate differential	20,653	21,306
Unrecognized Tax Losses	6,999	10,993
Utilization of tax losses carry forward / Tax Credit	(2,342)	(1,154)
Prior year adjustments	(98)	(211)
Non-deductible expenses and non-taxable income	(4,873)	350
Withholding Tax	(1,322)	1,244
Other	(2,158)	(2,264)
Income tax expense	30,202	34,010

Tax calculated at domestic tax rates applicable in the respective countries. The weighted average applicable tax rate was 21% for the year ended March 31, 2015 (March 31, 2014: 31%). The movement in weighted average tax rate is mainly on account of variation in profitability of the Group's subsidiaries in the respective countries.

Capitalized deferred tax assets and deferred tax liabilities have been allocated to individual items as per the following table:

<u>Deferred Tax Assets</u>	Year ended March 31, 2015	Year ended March 31, 2014
Provisions	5,403	6,443
Property, plant and equipment	2,697	460
Receivable / Accruals	4,906	1,510
Inventories	1,398	1,030
Tax Value of Reported Loss carry forwards	8,136	3,669
Others	(69)	1,729
Total	22,471	14,841

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<u>Deferred Tax Liability</u>	<u>Year ended March 31, 2015</u>	<u>Year ended March 31, 2014</u>
Intangible assets	9,460	8,894
Property, plant and equipment (Including Finance Lease Liability)	40,617	35,652
Government grants	250	64
Pension	—	(7)
Others	1,215	4,831
Total	51,542	49,434

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	<u>Year ended March 31, 2015</u>	<u>Year ended March 31, 2014</u>
Deferred tax assets:		
- Deferred tax assets to be recovered after 12 months	14,429	11,830
- Deferred tax assets to be recovered within 12 months	8,042	3,011
	22,471	14,841
Deferred tax liabilities:		
- Deferred tax liabilities to be settled after 12 months	52,621	48,543
- Deferred tax liabilities to be settled within 12 months	(1,079)	891
	51,542	49,434

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<u>As at April 01, 2014</u>	<u>Charged/(credited) to the income statement</u>	<u>Charged/(credited) to other comprehensive income</u>	<u>Acquisition on business combination</u>	<u>Exchange differences</u>	<u>As at March 31, 2015</u>
Deferred tax assets						
Provisions	6,443	(1,734)	—	—	694	5,403
Property, plant and equipment	460	1,907	—	—	329	2,696
Receivable / Accruals	1,510	3,192	—	—	204	4,906
Inventories	1,030	204	—	—	165	1,399
Tax Value of Reported Loss carryforwards	3,669	4,190	—	—	278	8,137
Others	1,729	(1,856)	272	—	(215)	(70)
Total deferred tax assets	14,841	5,903	272	—	1,455	22,471
Deferred tax liabilities						
Intangible assets	8,894	(1,285)	—	1,973	(121)	9,461
Property, plant and equipment (Including finance lease liability)	35,652	1,799	—	1,798	1,368	40,617
Government grants ...	64	(99)	—	—	285	250
Pension	(7)	7	—	—	—	—
Others	4,831	(3,040)	—	—	(577)	1,214
Total deferred tax liabilities	49,434	(2,618)	—	3,771	955	51,542

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	As at January 01, 2013	Charged/(credited) to the income statement	Charged/(credited) to other comprehensive income	Acquisition on business combination	Exchange differences	As at March 31, 2014
Deferred tax assets						
Provisions	3,649	1,259	—	—	1,535	6,443
Property, plant and equipment	1,095	(349)	—	—	(286)	460
Receivable / Accruals	4,580	(1,614)	—	—	(1,456)	1,510
Inventories	391	465	—	—	174	1,030
Tax Value of Reported Loss carryforwards	2,022	1,739	—	—	(92)	3,669
Others	829	827	289	—	(216)	1,729
Total deferred tax assets	12,566	2,327	289	—	(341)	14,841
Deferred tax liabilities						
Intangible assets	10,619	(1,711)	—	—	(14)	8,894
Property, plant and equipment (Including Finance Lease Liability)	37,933	(1,953)	—	—	(328)	35,652
Government grants	115	(51)	—	—	—	64
Pension	17	(24)	—	—	—	(7)
Others	3,298	2,099	—	—	(566)	4,831
Total deferred tax liabilities	51,982	(1,640)	—	—	(908)	49,434

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognize deferred income tax assets of k€ 68,873 (March 31, 2014: k€ 76,387) in respect of losses amounting to k€ 300,171 (March 31, 2014: k€ 329,215) that can be carried forward against future taxable income. Losses amounting to k€ 10,410 expire in 2015-16 and 2016-17 respectively.

Deferred income liabilities have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of k€ 214,543 as on March 31, 2015 (March 31, 2014: k€ 120,159) of subsidiaries, joint ventures and associates.

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A.6.7 Other disclosures

A.6.7.1 Financial instruments

The following table shows the carrying amounts and fair values of the Group's financial instruments

Financial instruments	Category according to IAS 39	Carrying Amt. March 31, 2015	Measurement according to IAS 39		Fair Value March 31, 2015	Not in Scope
			Amortized cost	At fair value		
Assets						
Other investments	Afs	167	29	138	167	—
Trade receivables	LaR	484,937	484,937	—	484,937	—
Receivables from joint ventures and related parties	LaR	5,955	5,955	—	5,955	—
Other receivables	LaR	29,055	29,055	—	29,055	39,121
Derivative Financial Instruments	FVPL	1,169	—	1,169	1,169	—
Cash and cash equivalents	LaR	184,144	184,144	—	184,144	—
Liabilities						
Interest bearing loans and borrowings - non-current						
Liabilities to banks	FLAC	503,262	503,262	—	503,262	—
Finance lease liabilities	FLAC	10,936	—	10,936	10,936	—
Liabilities to related parties - non-current	FLAC	—	—	—	—	—
Interest bearing loans and borrowings - current						
Liabilities to banks	FLAC	63,396	63,396	—	63,396	—
Finance lease liabilities	FLAC	7,745	—	7,745	7,745	—
Trade payables	FLAC	566,402	566,402	—	566,402	—
Liabilities to joint ventures and related parties - current	FLAC	18,458	18,458	—	18,458	—
Derivative Financial Instruments	FVPL	62	—	62	62	—
Other liabilities	FLAC	92,333	92,333	—	92,333	101,604
Thereof: aggregated by category according to IAS 39						
Loans and Receivables (LaR)		704,091	704,091	—	704,091	39,121
Available-for-Sale Financial Assets (Afs)		167	29	138	167	—
Financial liabilities carried at fair value through profit or loss (FVPL)		1,107	—	1,107	1,107	—
Financial liabilities measured at amortized cost (FLAC)		1,262,532	1,243,851	18,681	1,262,532	101,604

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Financial instruments	Category according to IAS 39	Carrying Amt. March 31, 2014	Measurement according to IAS 39		Measurement according to IAS 17	Fair Value March 31, 2014	Not in Scope
			Amortized cost	At fair value			
Assets							
Other investments	Afs	138	20	118	—	138	—
Trade receivables	LaR	420,583	420,583	—	—	420,583	—
Receivables from joint ventures and related parties	LaR	2,263	2,263	—	—	2,263	—
Other receivables	LaR	23,766	23,766	—	—	23,766	29,918
Derivative Financial Instruments	FVPL	22	—	22	—	22	—
Cash and cash equivalents	LaR	85,701	85,701	—	—	85,701	—
Liabilities							
Interest bearing loans and borrowings - non-current							
Liabilities to banks	FLAC	246,842	246,842	—	—	246,842	—
Finance lease liabilities	FLAC	19,715	—	—	19,715	19,715	—
Liabilities to related parties - non-current	FLAC	43,806	43,806	—	—	43,806	—
Interest bearing loans and borrowings - current							
Liabilities to banks	FLAC	157,603	157,603	—	—	157,603	—
Finance lease liabilities	FLAC	7,567	—	—	7,567	7,567	—
Trade payables	FLAC	399,626	399,626	—	—	399,626	—
Liabilities to joint ventures and related parties - current	FLAC	24,321	24,321	—	—	24,321	—
Derivative Financial Instruments	FVPL	1,051	—	1,051	—	1,051	—
Other liabilities	FLAC	110,452	110,452	—	—	110,452	91,052
Thereof: aggregated by category according to IAS 39							
Loans and Receivables (LaR)		532,313	532,313	—	—	532,313	29,918
Available-for-Sale Financial Assets (Afs)		138	20	118	—	138	—
Financial liabilities carried at fair value through profit or loss (FVPL)		1,073	—	1,073	—	1,073	—
Financial liabilities measured at amortized cost (FLAC)		1,009,932	982,650	—	27,282	1,009,932	91,052

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Due to the short-term nature of cash and cash equivalents and the short-term maturities of trade receivables and liabilities and other current receivables and liabilities, their fair values are equal to their carrying amounts.

A description of the Group's financial instrument risks, including risk management objectives and policies is given in note 29.

The following table shows the net gains and losses from the financial instruments recognized in the income statement.

<u>Net gains or losses</u>	<u>Year ended March 31, 2015</u>	<u>Year ended March 31, 2014</u>
Receivables and payables	(317)	542
Financial liabilities measured at amortized cost	16,932	21,232

Net gains and losses from Receivables and payables are included in other operating income and expenses. Net gains and losses from financial instruments measured at amortized cost are part of finance cost and income.

Interest income and interest expense for financial assets and financial liabilities

	<u>Year ended March 31, 2015</u>	<u>Year ended March 31, 2014</u>
Receivables and payables	1,781	1,658
Financial liabilities measured at amortized cost	41,263	37,504

Interest incomes from receivables are included in interest income, interest expense for financial liabilities measured at amortized cost are included in interest expense.

A.6.7.1.1 Financial instruments

The following table present the Group's financial assets and liabilities that are measured at fair value:

<u>Financial instruments</u>	<u>Fair Value March 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Available-for-Sale Financial Assets (Afs)	138	138	—	—
Derivative Financial Instruments	1,169	—	1,169	—
Liabilities				
Derivative Financial Instruments	62	—	62	—
<u>Financial instruments</u>	<u>Fair Value March 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Available-for-Sale Financial Assets (Afs)	118	118	—	—
Derivative Financial Instruments	22	—	22	—
Liabilities				
Derivative Financial Instruments	1,051	—	1,051	—

Due to the short-term nature of cash and cash equivalents and the short-term maturities of trade receivables and liabilities and other current receivables and liabilities, their fair values are equal to their carrying amounts.

Valuation of financial assets

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly

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available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise of equity instruments classified as available for sale. Quoted market prices are used to value Level 1 instruments.

(b) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Entity's Level 2 instruments comprise of forward contracts relating to foreign currency and commodities. The fair value of forward foreign contracts is determined using forward rates at the balance sheet date, with the resulting value discounted back to present value.

A.6.7.1.2 Offsetting Financial Assets and Financial Liabilities:

The following table present the Group's financial assets and liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements:

As on March 31, 2015

Financial Assets

	<u>Gross amounts of recognized financial assets</u>	<u>Gross amounts of recognized financial liabilities set off in the Balance sheet</u>	<u>Net amounts of financial assets presented in the balance sheet</u>
Trade receivables	528,803	43,866	484,937

As on March 31, 2014

Financial Assets

	<u>Gross amounts of recognized financial assets</u>	<u>Gross amounts of recognized financial liabilities set off in the Balance sheet</u>	<u>Net amounts of financial assets presented in the balance sheet</u>
Trade receivables	440,190	19,607	420,583

A.6.7.2 Contingent Liabilities

In the ordinary course of business activities, the Group may be contingently liable for litigation and claims with customers, suppliers, former employees and other parties. In addition, the Group may be, or could become, liable to incur environmental remediation costs to bring environmental contamination levels back within acceptable legal limits. On an on-going basis, the Group assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. The required provision may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

The tax position taken by the Group with respect to certain transactions and calculations may be challenged by tax authorities for reasons including transfer pricing, the availability of deductions for interest expense and other deductible items, the treatment of acquisition, refinancing and reorganization transactions, intercompany funding arrangements, the application and effect of tax "holidays" and the calculation of deferred tax assets and liabilities. The Group does not expect any significant cash outflow in respect of these contingencies.

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Property, plant and equipment	42,589	41,163

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A.6.7.3 Operating Segment Information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (“CODM”) in taking strategic decisions. Those operating segments are SMR Group and SMP Group which are also the reportable segments.

SMR Group

SMR Group develops and produces a wide range of exterior mirrors from simple prismatic versions up to complex multi-function systems. In addition to the mirror technology, the Group develops and produces driver assistance systems such as detection systems in the door mirror for monitoring blind spots or mirror turn signals. It has production facilities and engineering centres in 14 countries across the globe.

SMP Group

SMP Group supplies plastic parts and system modules for vehicle interiors and exteriors. Products for vehicle interiors include in particular interior door panels and dashboards. For exteriors, bumpers and other bodywork components are manufactured. The product range encompasses individual parts and complete modules, with engineering and tooling services also being provided. It has production facilities and engineering centres in 7 countries across the globe.

The CODM considers revenues from external parties, EBITDA, profit before taxes and assets of each of the segments in taking strategic decisions. These amounts are measured in a manner consistent with that of the financial statements. Segment assets comprise of trade receivables, inventories and cash and cash equivalents. Geographically, the CODM considers the performance of sales in the Americas, Europe, and Asia Pacific.

Transfer prices for transactions between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

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	March 31, 2015			March 31, 2014				
	SMR	SMP	Unallocated / Inter - segment eliminations	Total	SMR	SMP	Unallocated / Inter- segment eliminations	Total
Segment revenue:								
Sales to external customers	1,238,326	2,246,068	(327)	3,484,067	1,346,363	2,373,314	—	3,719,677
Intersegment sales	—	—	—	—	—	—	—	—
Total revenue	1,238,326	2,246,068	(327)	3,484,067	1,346,363	2,373,314	—	3,719,677
Results:								
EBITDA	121,127	138,366	—	259,493	124,326	113,065	—	237,391
Depreciation and amortization	31,126	55,871	—	86,997	33,849	70,556	—	104,405
Operating profit	90,001	82,495	—	172,496	90,477	42,509	—	132,986
Interest Income	1,398	3,657	(3,274)	1,781	2,485	9,219	—	11,704
Interest expense	(10,205)	(34,566)	3,274	(41,497)	(10,278)	(28,351)	—	(38,629)
Share of profit from joint venture	3,251	6,149	—	9,400	3,383	70	—	3,453
Share of profit from associate	33	—	—	33	(29)	—	—	(29)
Profit before tax	84,478	57,735	—	142,213	86,038	23,447	—	109,485
Income Taxes	(18,383)	(11,819)	—	(30,202)	(22,045)	(11,965)	—	(34,010)
Profit after tax	66,095	45,916	—	112,011	63,993	11,482	—	75,475
Segment assets:								
Inventory, Debtors and Cash	289,653	548,139	—	837,792	274,421	378,627	—	653,048
Others	344,249	1,570,830	(955,169)	959,910	257,319	482,553	(12,250)	727,622
Total assets	633,902	2,118,969	(955,169)	1,797,702	531,740	861,180	(12,250)	1,380,670
Other items:								
Capital expenditure	54,231	163,424	—	217,655	63,164	85,526	—	148,690
Capital expenditure due to business combination	—	33,029	—	33,029	—	—	—	—
Investment in joint venture	10,663	16,432	—	27,095	7,411	10,784	—	18,195
Investment in associate	307	—	—	307	307	—	—	307

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	March 31, 2015				March 31, 2014			
	SMR	SMP	Unallocated / Inter - segment eliminations	Total	SMR	SMP	Unallocated / Inter- segment eliminations	Total
Revenue by geographical areas								
Asia Pacific	396,550	230,572	—	627,122	432,990	260,858	—	693,848
Europe	565,227	1,884,731	(327)	2,449,631	653,472	1,931,163	—	2,584,635
The Americas	276,548	130,766	—	407,314	259,901	181,293	—	441,194
Others	—	—	—	—	—	—	—	—
	1,238,325	2,246,069	(327)	3,484,067	1,346,363	2,373,314	—	3,719,677
Non-Current Assets								
(excluding deferred taxes, Financial Instruments and investments)	265,874	596,622	—	862,496	222,684	437,712	—	660,396
Sale to external customers above 10%								
AUDI	57,062	918,335	—	975,397	59,676	709,762	—	769,438
VW	88,216	410,682	—	498,898	116,009	530,735	—	646,744
SEAT	6,513	347,349	—	353,862	7,275	235,981	—	243,256
Hyundai	187,337	—	—	187,337	204,192	—	—	204,192
	339,128	1,676,366	—	2,015,494	387,152	1,476,478	—	1,863,630

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A.6.7.4 Risk management with respect to financial risks

The Group in its capacity as an internationally active supplier for the automobile industry is exposed to various risks with each of its business segments and products. The global presence and decentralised management structure with the main activities in the plants make an organized risk management system necessary. The regulations, instructions, implementation rules and, in particular, the regular communication throughout the tightly controlled management process consisting of planning, controlling and monitoring collectively form the risk management system used to define, record and minimise operating, financial and strategic risks.

The successful management of opportunities and risks is part of operating a business and is the primary task of all management personnel. During the regular management meetings at all management levels, opportunities, risks and optimisation measures are subjected to systematic treatment. Rapid, open and unhindered communication between all levels of management on the risks and imminent exceptional situations ensure that potential risks can be identified at an early stage and their effects can be limited. Risk awareness and the integration of risk management into management personnel's on-going duties at an organisational level enable the Group to identify risks immediately and to eliminate them or to minimise their effects on the net asset, financial and income position.

A detailed examination has revealed that the risks detailed below are manageable for the SMRP Group.

The Group is exposed in particular to credit risks with regard to trade receivables, liquidity risks and market risks from changes in interest rates and exchange rates. The Group counters customer default risks by monitoring customers continuously and carrying out regular credit checks. Liquidity is secured by means of medium-term loans, pre-emptive liquidity planning and daily liquidity reporting. Interest and currency risks are monitored on a monthly basis centrally by the finance department and the Group's Board of Management.

The Group has developed guidelines on risk controlling and the use of financial instruments. These guidelines contain a clear allocation of duties. Risks are controlled and monitored by means of operational and financial measures.

The risks listed below are not so material that they would result in extraordinary concentrations of risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations towards the Group and arises principally from the Group's receivables from customers and deposits with banking institutions. The maximum amount of the credit exposure is equal to the carrying amounts of these receivables.

The Group has developed guidelines for the management of credit risk from trade receivables. The Group's primary customers are major European automobile manufacturers (OEMs) with good credit ratings. Non-OEM clients are subjected to credit assessments as a precautionary measure, and the adherence of all clients to payment due dates is monitored on an on-going basis, thereby practically eliminating the risk of default. Suppliers are also regularly subjected to monitoring and credit assessments. If critical changes arise, alternative suppliers are sought.

The Group has deposited liquid funds at various banking institutions. Primary banking institutions are major international banks. In long term credit ratings these banking institutions are considered to be investment grade. Also, no impairment loss has been recorded in respect of fixed deposits that are with recognized commercial banks and are not past due.

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All amounts in Euro'000, unless otherwise stated

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
As at beginning of the year	5,837	6,042
Acquired in business combinations	—	—
Impairment loss recognized	1,700	926
Amounts written off	(189)	(298)
Unused amounts reversed	61	(826)
Exchange fluctuation	—	(7)
As at end of the year	<u>7,409</u>	<u>5,837</u>

The following table shows the ageing of trade and other receivables that were not impaired:

	<u>Total</u>	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>				
			<u>< 30 days</u>	<u>30-90 days</u>	<u>90-180 days</u>	<u>180-360 days</u>	<u>>360 days</u>
March 31, 2015							
Trade receivables	484,937	434,435	37,867	7,437	3,381	771	1,046
Receivables from joint ventures and related parties	5,955	5,955	—	—	—	—	—
Cash and cash equivalents	184,144	184,144	—	—	—	—	—
Others	30,391	30,391	—	—	—	—	—
March 31, 2014							
Trade receivables	420,583	407,552	7,461	2,169	1,520	945	936
Receivables from joint ventures and related parties	2,263	2,263	—	—	—	—	—
Cash and cash equivalents	85,701	85,701	—	—	—	—	—
Others	23,926	23,926	—	—	—	—	—

Impairment is recognized as soon as the carrying amount of an asset exceeds its recoverable amount. In general there are impairments for overdue receivables as a result of price, quality differences as well as discount differences, for uncertain receivables, law cases and overdue receivables. A receivable is completely impaired when recoverability is not probable. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Impairments are recognized in the income statement. The Group has not recognized any other impairment of financial instruments.

Overdue and unimpaired trade receivables are for the most part attributable to OEMs. The good credit rating of these clients means that there was no reason to impair these receivables as of the reporting date.

Liquidity risk

The liquidity risk encompasses any risk that the Group cannot fully meet its financial obligations. To manage the liquidity risk, cash flow forecasting is performed in the operating entities of the group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions. Furthermore, in the case of an expected breach of covenants Group management evaluates early counteractions to prohibit negative impacts for the Group out of a breach of covenants.

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The following table shows the remaining contractual maturities of financial liabilities of the Group presented on a gross and undiscounted basis and include estimated interest payments and exclude the impact of netting arrangements:

<u>Financial Liabilities</u>	March 31, 2015			Total
	Less Than 1 Year	1 to 5 years	More than 5 years	
Non-derivative financial liabilities				
Borrowings - Liabilities to Banks	87,616	99,438	519,940	706,994
Finance lease liabilities	8,530	10,449	1,329	20,308
Trade payables	566,402	—	—	566,402
Liabilities due to shareholders & related parties	18,458	—	—	18,458
Other financial liabilities	88,171	489	6,441	95,101
Total	769,177	110,376	527,710	1,407,263
<u>Financial Liabilities</u>	March 31, 2014			Total
	Less Than 1 Year	1 to 5 years	More than 5 years	
Non-derivative financial liabilities				
Borrowings - Liabilities to Banks	173,923	249,482	13,196	436,601
Finance lease liabilities	8,759	24,454	1,651	34,864
Trade payables	399,626	—	—	399,626
Liabilities due to shareholders & related parties	24,321	43,806	—	68,127
Other financial liabilities	104,954	1,549	5,001	111,504
Total	711,583	319,291	19,848	1,050,722

Market risk

The Group is also exposed to market risk with respect to changes in interest rates and foreign exchange rates. These changes may affect the operating result and financial position.

Interest rate risks mainly relate to bank borrowings due to variable interest rates depending on the development of the 3-months LIBOR/Euribor (for further details we refer to A.6.4.13). The Group conducted sensitivity analyses at year-end to estimate the interest rate risks. If interest rate would increase (or decrease) by 10%, interest liabilities would increase (or decrease) by k€ 467 as on March 31, 2015 (March 31, 2014: k€ 2,964). Furthermore, interest rate risks are minimised by means of fixed interest rates agreed in the most significant leasing agreements for their entire term. The Group currently sees no need to act with respect to the interest rate risk arising from bank borrowings as it is assumed that interest rates will remain low in the short term. Changes in interest rates and exchange rates are monitored in SMRP BV's Treasury division and hedged as appropriate for the future.

Foreign exchange risk arises from monetary receivables and obligations expressed in a currency other than the functional currency of a Group company. The Group conducted sensitivity analyses at year-end to estimate the currency risk of these monetary financial instruments. This primarily concerns the US dollar. If the Euro were to increase (or decrease) by 10% against the US dollar, receivables would decrease (or increase) by k€ 3,979 as on March 31, 2015 (March 31, 2014: k€ 2,610), while liabilities would decrease (or increase) by k€ 3,963 as on March 31, 2015 (March 31, 2014: k€ 21,077). Net impact on Income statement will be gain / (loss) of k€ 16 as on March 31, 2015 (March 31, 2014: k€ 18,468). There is no financial instrument in place within the Group to manage the foreign currency risk arising out of USD denominated receivables and payables. The risk from other currencies is estimated to be minimal.

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Receivables and liabilities in foreign currencies as of the reporting date are listed in the following table:

	<i>(Amounts in foreign currency 000s)</i>		
	USD	GBP	CNY
March 31, 2015			
Foreign Currency Receivables	42,693	10,807	83,495
Foreign Currency Liabilities	42,523	5,197	2,667
March 31, 2014			
Foreign Currency Receivables	25,012	7,581	45,596
Foreign Currency Liabilities	291,055	4,320	105

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group management determines the business policy for the various business segments and plants. Adherence to the determined general conditions and the achievement of the sales, profitability, financial and operating targets is coordinated and monitored centrally.

For this purpose, an important indicator for the Group is the gearing ratio of financial debt to total capital as shown in the Consolidated Statement of Financial Position. Since these terms are generally not governed by International Financial Reporting Standards their definition and calculation may vary from one company to another.

	March 31, 2015	March 31, 2014
Total equity	335,402	187,780
Total equity	335,402	187,780
in % of total capital	46%	32%
Non-current financial liabilities ¹	514,198	266,557
Current financial liabilities ²	71,141	165,170
Loan from Related Parties	—	56,076
Total Debt	585,339	487,803
Less : Cash & Cash Equivalents	(184,144)	(85,701)
Debt (Net)	401,195	402,102
in % of total capital	54%	68%
Total capital as defined for capital management purposes	736,597	589,882

1 Non-current financial liabilities include borrowings as on March 31, 2015 of k€ 503,262 (March 31, 2014: k€ 246,842), finance lease liabilities as on March 31, 2015 of k€ 10,936 (March 31, 2014: k€ 19,715).

2 Current financial liabilities include borrowings as on March 31, 2015 of k€ 63,396 (March 31, 2014: k€ 157,603), finance lease liabilities as on March 31, 2015 of k€ 7,745 (March 31, 2014: k€ 7,567).

The Group is not subject to any capital requirements on the basis of its Articles of Incorporation. Certain capital requirements were contractually imposed in loan agreements with the financial institutions. As per the terms of the Notes and Revolver Credit Facilities referred to in note A.6.4.3 the Company is required to maintain financial covenants of net leverage ratio not exceeding 3.25x and net interest cover ratio more than 3.0x calculated on the group's financial statements. As at March 31, 2015 the Group has complied with both these financial covenants. The Group continuously monitors these covenants and it is controlled by capital measures regarding both, shareholders equity as well as debt.

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A.6.7.5 Other financial obligations

The following table shows the future financial obligations arising from long-term rental and leasing contracts.

Operating leases – group as lessee

The group leases various properties, vehicles and machinery under non-cancellable operating lease agreements. The lease terms are between 3 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. There are no restrictions placed upon the lessee by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Not later than one year	8,832	12,818
After one year but not more than five years	18,029	24,384
More than five years	2,247	8,206
Total	<u>29,108</u>	<u>45,408</u>

During the year, k€ 10,051 (March 31, 2014 : k€ 12,856) has been recognized in the income statement as lease rent expense towards operating leases.

Finance leases – group as lessee

The group leases various buildings and machinery under non-cancellable finance lease agreements. The lease terms are between 3 and 10 years, and ownership of the assets lies within the group

Future Minimum Lease Payments under Finance Lease

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Future minimum payments due:		
Not later than one year	8,440	8,769
After one year but not more than five years	10,378	19,786
More than five years	1,329	1,651
	<u>20,147</u>	<u>30,206</u>
Less finance charges allocated to future periods	1,466	2,924
Present value of future minimum lease payments	<u>18,681</u>	<u>27,282</u>
Current	7,745	7,567
Non-current	10,936	19,715
	<u>18,681</u>	<u>27,282</u>
Present value of future minimum lease payments		
Not later than one year	7,745	7,567
After one year but not more than five years	9,734	18,256
More than five years	1,202	1,459
	<u>18,681</u>	<u>27,282</u>

A.6.7.6 Related parties

During the year the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, include the sale and purchase of goods and services. In addition, financing transactions have been undertaken.

Entities with significant influence over the Group

SMRP BV, SMP Group and SMR Group were jointly controlled by Motherson Sumi Systems Limited and Samvardhana Motherson International Limited prior to June 13, 2014. On June 13, 2014

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SMRP BV acquired the majority of the outstanding shares of SMR Group through the issuance of new shares to the shareholders of SMR Group. (see note A.6.2.1)

Samvardhana Motherson Global Holdings Limited, Cyprus, the direct parent company of Samvardhana Motherson Automotive Systems Group B.V (SMRP) (earlier known as Samvardhana Motherson B.V.) holds 69% of the voting shares of the Group.

Samvardhana Motherson Polymers Limited, India holds 31% of the voting shares of SMRP BV.

Samvardhana Motherson Global Holdings Limited and Samvardhana Motherson Polymers Limited both are indirectly held by MSSL India, which prepares financial statements available for public use and by SMIL India. MSSL and SMIL are referred to as the substantial shareholders of the Group.

SMIL is owned by Mr. V.C. Sehgal and family. SMIL holds an equity interest (36.12%) in MSSL.

As a result, MSSL and SMIL and its direct and indirect held subsidiaries, except for the companies forming the subgroup of Samvardhana Motherson Automotive Systems Group B.V are considered as related parties.

Key Management Personnel

Key management includes directors (executive and non-executive), members of the Supervisory Board. No compensation or any other benefits are paid or payable to any of the key management personnel.

Details of related party transactions

	Year ended March 31, 2015					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture	Entities in which Key management personnel hold significant influence	Total
Sales	771	—	1,797	2,288	—	4,856
Purchases	27,473	4	35,335	39,530	3,101	105,443
Interest and similar income	—	—	47	—	—	47
Miscellaneous expenses	63	1,997	2,233	51	23	4,367
Loans given	—	40	5,750	—	—	5,790
Repayment of loans taken	23,939	—	44,388	—	—	68,327
Loans taken	—	—	12,250	—	—	12,250
Loans received back	—	—	5,750	—	—	5,750
Rental income	—	—	22	—	—	22
Interests and similar expenses	248	—	326	—	—	574
Purchase of assets	172	131	164	109	—	576
Miscellaneous income	904	444	395	369	147	2,259
Sale of shares	—	50	—	—	—	50

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Details of related party balances

	As at March 31 2015					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture	Entities in which Key management personnel hold significant influence	Total
Other receivables	—	161	4,671	497	—	5,329
Trade receivables	332	6	102	1	—	441
Other payables	4,684	187	8,985	4,602	—	18,458
Loans and deposits receivable	84	542	—	—	—	626

Details of related party transactions

	Year ended March 31, 2014					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture	Entities in which Key management personnel hold significant influence	Total
Sales	821	—	2,703	32	742	4,298
Purchases	27,900	51	35,696	21	11,558	75,226
Interest and similar income	—	—	27	—	—	27
Miscellaneous expenses	243	2,546	4,651	34	25	7,499
Loans given	—	171	2,000	4,451	—	6,622
Repayment of loans taken	—	400	18,830	—	—	19,230
Loans taken	23,986	400	27,128	—	—	51,514
Loans received back	—	—	2,000	4,451	—	6,451
Rental income	—	—	180	—	—	180
Interests and similar expenses	339	—	880	—	—	1,219
Purchase of assets	—	287	177	91	—	555
Miscellaneous income	511	29	630	25	203	1,398

Details of related party balances

	As at March 31 2014					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture	Entities in which Key management personnel hold significant influence	Total
Other receivables	514	100	1,127	139	—	1,880
Other payables	4,067	1,843	6,128	12	—	12,050
Loans and deposits receivable . . .	—	382	—	—	—	382
Loans and deposits payable	23,939	—	32,137	—	—	56,076

A.6.7.7 Accounting estimates and evaluations

The Group makes estimates and assumptions concerning the future and makes significant judgements in the process of application of accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Determination of the useful life of intangible assets and fixed assets (see A.6.4.1 and A.6.4.2).
- Valuation of customer and engineering agreements as well as technology and fixed assets, particularly with regard to their underlying cash flow forecasts and discount rates (see A.6.4.1 and A.6.4.2).
- Determination of the level of completion, the contract revenues and contract costs of construction contracts. The Group uses the percentage-of-completion method in accounting for

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

its fixed price contracts to deliver design services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. (see A.6.4.8.1).

- Valuation of recoverable income tax assets especially with respect to deferred tax assets on tax loss carry forwards. The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. (see A.6.4.15 and A.6.6).
- Recognition and presentation of provisions and liabilities for pensions and other post-employment benefits. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. (see A.6.2.14.1 and A.6.4.11).
- Recognition and presentation of provisions and liabilities (esp. the accrual for price differences and the liabilities out of contract work) and to the probability of expenses arising from warranty claims and claims from legal disputes. Price accruals primarily represent the amount of price down to be given to customers, the final outcome of these price accruals is dependent on negotiation with customers (see A.6.2.14, A.6.2.16 and A.6.2.17).

These estimates and assumptions are based on the latest information available at the time that the Consolidated financial statements were prepared. The assumptions and estimates are checked and updated regularly to accommodate any actual developments that may arise.

A.6.8 Subsequent Events

There is no significant/ material post balance sheet event.

Signing of the financial statements

Mr. J.M. Buit
(Managing Director)
Amsterdam, June 01, 2015

Mr. A. Heuser
(Managing Director)
Amsterdam, June 01, 2015

Mr. L.V. Sehgal
(Managing Director)
Amsterdam, June 01, 2015

Consolidated Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

ABBREVIATIONS

€	Euro (European currency)
k€	Thousands of Euros
\$	US Dollar (US currency)
£	Great British Pound (UK currency)
CNY	Chinese currency
KRW	Korean currency
MXN	Mexican currency
A\$	Australian Dollar (Australian currency)
Rs.	Indian currency
THB	Thai currency
HUF	Hungarian currency
¥	Japanese Currency
BRL	Brazilian currency
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
EU	European Union

Abbreviations used for companies

SMRP BV Group	Samvardhana Motherson Automotive Systems Group B.V & subsidiaries
SMR Group	Samvardhana Motherson Reflectec Group Holdings Limited & subsidiaries
SMP Group	Samvardhana Motherson Peguform GmbH Germany, SMP Deutschland GmbH and its subsidiaries, SMP Automotive Technology Ibérica S.L. and its subsidiaries and SMP Automotive Interiors (Beijing) Co. Ltd.
SMRP BV	Samvardhana Motherson Automotive Systems Group B.V, Amsterdam (earlier known as Samvardhana Motherson B.V.)
SMR	Samvardhana Motherson Reflectec Group Holdings Limited
SMP Germany	SMP Deutschland GmbH, Bötzingen, Germany
SMP Ibérica	SMP Automotive Technology Ibérica S.L., Polinyà del Vallés, Spain
SMPG	Samvardhana Motherson Peguform GmbH, Gelnhausen (earlier known as Forgu GmbH)
NSHAM	Ningbo SMR Huaxiang Automotive Mirrors Co., Ltd, China
CPAT	Changchun Peguform Automotive Plastics Technology Co., Ltd., Changchun, China
MRA	Modulos Ribera Alta S.L.U., Zaragoza/Spain
CEFA	Celulosa Fabril S.A., Zaragoza, Spain
SMPL	Samvardhana Motherson Polymers Limited
SMGHL	Samvardhana Motherson Global Holdings Ltd
MSSL	Motherson Sumi Systems Limited
SMIL	Samvardhana Motherson International Limited (earlier known as Samvardhana Motherson Finance Limited)



Independent auditor's report on combined special purpose financial statements

To: the Board of Management of Samvardhana Motherson Automotive Systems Group B.V.
(previously: Samvardhana Motherson B.V.)

We have audited the accompanying combined special purpose financial statements of Samvardhana Motherson Automotive Systems Group B.V. for the years ended March 31, 2014, 2013, and 2012 of the combined business of Samvardhana Motherson Automotive Systems Group B.V., Amsterdam and its subsidiaries and Samvardhana Motherson Reflectec Group Holdings Limited, Jersey and its subsidiaries as set out on pages 4 to 75 as described in the 'basis of preparation' as set out in note A.6.2.1, which comprise the combined balance sheets as at March 31, 2014, 2013, and 2012, the combined income statements, the combined statements of comprehensive income, statement of changes in owners net investment and combined cash flow statements for the years then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these combined special purpose financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the combined special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these combined special purpose financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined special purpose financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the combined special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the combined special purpose financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined special purpose financial statements.

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

Opinion

In our opinion, the accompanying combined special purpose financial statements present fairly, in all material respects, the financial position of the combined business of Samvardhana Motherson Automotive Systems Group B.V. and its subsidiaries and Samvardhana Motherson Reflectec Group Holdings Limited and its subsidiaries as of March 31, 2014, 2013, and 2012 and of its combined results and its combined cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

As discussed in note A.6.2.1, Samvardhana Motherson Automotive Systems Group B.V. acquired Samvardhana Motherson Reflectec Group Holdings Limited by means of a common control transaction as at June 13, 2014, these combined special purpose financial statements are therefore, not necessarily indicative of the consolidated financial positions and consolidated results that would have occurred if Samvardhana Automotive Systems Group B.V. would have been the shareholder, and, as a consequence, would have prepared consolidated accounts, including the financial statements of Samvardhana Motherson Reflectec Group Holdings Limited and its subsidiaries, as at these dates. Our opinion is not qualified in respect of these matters.

Basis for preparation and restriction on use

Without modifying our opinion, we draw attention to note A.6.2.1, which describes the special purpose of the combined special purpose financial statements and the notes, including the basis of accounting. The combined special purpose financial statements are prepared for the purpose of the Offering Memorandum in respect of the offering of EUR 500 million of Senior Secured Notes. As a result, the combined special purpose financial statements and our auditor's report thereto are not suitable for any other purpose.

Rotterdam, 18 June 2014
PricewaterhouseCoopers Accountants N.V.

Original has been signed by N.W. Over de Vest RA

Combined Financial Statements
All amounts in Euro'000, unless otherwise stated

A. COMBINED FINANCIAL STATEMENTS

A.1 Combined balance sheet

	Note	March 31, 2014	March 31, 2013	March 31, 2012
Assets				
Intangible assets	A.6.4.1	30,773	37,962	44,869
Property, plant and equipment	A.6.4.2	596,132	577,810	549,520
Investment properties	A.6.4.3	11,267	11,533	11,799
Joint ventures, accounted for using the equity method	A.6.4.4	18,195	13,156	18,541
Associates, accounted for using the equity method	A.6.4.5	307	426	133
Other financial instruments	A.6.4.6	24	276	5
Trade receivables and other assets	A.6.4.8	22,224	16,822	19,688
Deferred tax assets	A.6.6	14,841	14,041	18,028
Non-current assets		693,763	672,026	662,583
Inventories	A.6.4.7	146,763	146,151	147,434
Trade receivables	A.6.4.8	406,115	412,283	408,669
Tax receivables	A.6.4.8	309	251	857
Other financial instruments	A.6.4.6	8	153	286
Other receivables and other assets	A.6.4.8	48,032	48,738	54,574
Cash and cash equivalents	A.6.4.9	85,701	58,887	45,223
Current assets		686,928	666,463	657,043
Total assets		1,380,691	1,338,489	1,319,626
Equity and liabilities				
Invested capital	A.6.4.10	154,443	92,053	109,785
Translation reserve	A.5	(2,949)	16,916	10,188
Non-controlling interests	A.5	48,535	40,679	46,052
Equity		200,029	149,648	166,025
Provisions for pension liabilities	A.6.4.11	10,541	9,989	7,187
Other provisions	A.6.4.12	2,383	1,686	1,747
Financial liabilities	A.6.4.13	266,557	221,006	144,005
Other financial instruments	A.6.4.6	810	450	—
Liabilities to companies accounted for using the equity method and related parties	A.6.4.14	43,806	20,299	2,750
Other liabilities	A.6.4.15	24,481	21,594	56,625
Deferred tax liabilities	A.6.6	49,434	51,373	59,634
Non-current liabilities		398,012	326,397	271,948
Other provisions	A.6.4.12	10,417	7,883	8,209
Financial liabilities	A.6.4.13	165,169	319,874	359,448
Trade payables	A.6.4.15	399,649	355,056	374,940
Liabilities to companies accounted for using the equity method and related parties	A.6.4.14	24,321	14,306	24,369
Other financial instruments	A.6.4.6	241	134	—
Tax liabilities	A.6.4.15	18,080	13,208	9,945
Other liabilities	A.6.4.15	164,773	151,983	104,742
Current liabilities		782,650	862,444	881,653
Liabilities		1,180,662	1,188,841	1,153,601
Total equity and liabilities		1,380,691	1,338,489	1,319,626

The notes on pages F-140 to F-195 are an integral part of these combined financial statements.

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.2 Combined income statement

	Notes	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012
Revenue	A.6.5.1	2,996,930	2,792,135	1,477,691
Changes in inventories	A.6.5.2	3,082	1,526	3,516
Other operating Income	A.6.5.3	66,258	38,211	63,771
Cost of materials	A.6.5.4	(1,978,013)	(1,871,719)	(994,245)
Personnel expenses	A.6.5.5	(571,465)	(549,289)	(283,665)
Depreciation and amortization	A.6.5.6	(86,361)	(79,367)	(33,027)
Other operating expenses	A.6.5.7	(311,350)	(286,870)	(181,230)
Result from operating activities		119,081	44,627	52,811
Finance income	A.6.5.8	16,531	1,067	1,174
Finance costs	A.6.5.8	(30,496)	(40,147)	(20,442)
Finance costs - net	A.6.5.8	(13,965)	(39,080)	(19,268)
Share of after-tax profits/(losses) of joint ventures accounted for under the equity method	A.6.5.9	3,192	1,823	1,275
Share of after-tax profits/(losses) of associates accounted for under the equity method	A.6.5.10	(48)	25	(14)
Earnings Before Taxes (EBT)		108,260	7,395	34,804
Income taxes	A.6.6	(28,552)	(20,313)	(11,635)
Profit / (loss) for the year		79,708	(12,918)	23,169
Thereof profit or loss for the year attributable to:				
Equity holders of the SMR and SMRP		62,284	(23,982)	19,644
Non controlling interests		17,424	11,064	3,525
Profit / (loss) for the year		79,708	(12,918)	23,169

The notes on pages F-140 to F-195 are an integral part of these combined financial statements.

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.3 Combined statement of comprehensive income

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Profit / (Loss) for the year after tax:	79,708	(12,918)	23,169
Other comprehensive income / (loss):	(23,201)	4,425	2,492
- Items that will not be reclassified to Profit & Loss			
Remeasurement of post employment benefits	7	(1,686)	(1,449)
Deferred tax on actuarial losses	86	330	295
- Items that may be subsequently classified to Profit & Loss			
Exchange differences on translating foreign operations	(23,294)	5,781	3,646
Total comprehensive income for the year	<u>56,507</u>	<u>(8,493)</u>	<u>25,661</u>
Attributable to:			
Equity holders of the SMR and SMRP	42,525	(18,551)	21,362
Non controlling interests	13,982	10,058	4,299
	<u>56,507</u>	<u>(8,493)</u>	<u>25,661</u>

The notes on pages F-140 to F-195 are an integral part of these combined financial statements.

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.4 Combined Cash Flow statement

	Note	March 31, 2014	March 31, 2013	March 31, 2012
CASH FLOW FROM OPERATING ACTIVITIES				
Profit/(Loss) of the period before income taxes	A.2	108,260	7,395	34,804
Reconciliation from net profit before income taxes to net earnings				
Depreciation of property, plant and equipment and investment	A.6.5.6	77,021	69,695	29,793
Amortization of intangibles	A.6.5.6	9,340	9,672	3,234
Badwill from capital consolidation of acquisition of subsidiaries	A.6.5.3	—	—	(35,599)
(Gain) / loss from the sale of property, plant and equipment,	A.6.5.3 /	899	(570)	(168)
Net finance cost	A.6.5.8	13,965	39,080	19,268
Share of profits of JV and associates accounted for using equity	A.6.5.9 /	(3,144)	(1,848)	(1,261)
Reversal of onerous contract	A.6.5.3	—	—	(3,065)
Reversal / addition of bad debt allowances and provisions		(2,728)	(2,950)	(1,196)
Income from reversal of provisions and liabilities	A.6.5.3	(17,004)	(10,105)	(8,211)
Unrealized foreign exchange (gain)/loss		(7,295)	1,909	1,390
Net earnings before changes in working capital		179,313	112,278	38,990
Change in working capital				
Increase / (Decrease) in provisions		4,219	452	(6,630)
(Increase) / decrease in inventories, receivables & other assets				
Change in inventories		(613)	1,757	(7,896)
Change in trade receivables		6,811	(2,352)	(82,384)
Change in other assets ¹		(6,406)	14,496	20,028
Increase/(decrease) in payables & other non investing liabilities				
Change in trade payables		46,643	(8,536)	25,152
Change in other liabilities ²		41,987	6,860	23,176
Cash flow from operating activities before income tax		271,956	124,956	10,435
Income tax paid		(31,955)	(20,237)	(16,201)
Cash flow from operating activities (A)		240,001	104,718	(5,766)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment Others		(5)	—	—
Investment in joint ventures/Associates		(1,947)	(258)	(147)
Purchase of property, plant & equipment (including Pre-Payments)		(118,194)	(82,535)	(92,626)
Purchase of intangible assets		(1,899)	(2,352)	(2,417)
Proceeds from sale of property, plant and equipment		3,823	3,284	5,538
Proceeds from disposal of investments in Joint Venture		—	6,582	—
Dividends received from Joint Ventures		100	600	—
Acquisition of subsidiaries, net of cash acquired		—	—	(105,004)
Acquisition of Joint Venture		—	—	(6,500)
Interest received		1,390	1,067	1,174
Cash flow from investing activities (B)		(116,732)	(73,612)	(199,982)

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

	Note	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of shares/capital contributions		—	7,431	80
Dividend paid to non controlling interest		(6,127)	(15,431)	(356)
Repayment of finance lease liabilities		(7,729)	(8,833)	(2,463)
Proceeds from borrowings		117,800	89,985	421,816
Repayment of borrowings		(202,319)	(68,682)	(199,363)
Interest paid		(30,981)	(30,404)	(15,350)
Loans received from non-consolidated related parties . .		50,314	10,405	14,250
Loans repayments to non-consolidated related parties . .		(16,030)	(2,000)	(1,500)
Cash flow from financing activities (C)		<u>(95,071)</u>	<u>(17,530)</u>	<u>217,114</u>
Changes in cash and cash equivalents (A+B+C)		28,198	13,577	11,366
Cash and cash equivalents at beginning of period	A.6.4.9	58,887	45,223	32,684
Variation in cash & cash eq. from translation in foreign currencies		(1,384)	87	1,173
Cash and cash equivalents at end of year	A.6.4.9	<u>85,701</u>	<u>58,887</u>	<u>45,223</u>

1 Other asset comprising of tax receivables, other financial and non-financial assets.

2 Other liabilities comprise of prepayment received, liabilities from shareholders, and other financial and non-financial liabilities.

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.5 Combined Statement of Owners Net Investment

	Attributable to owners of Group			Total equity
	Invested capital	Currency translation reserve	Non controlling interest	
As at April 1, 2011	91,057	7,375	6,468	104,900
Comprehensive income				
Profit for the year	19,644	—	3,525	23,169
Other comprehensive income				
- Items that may be subsequently classified to Profit & Loss				
Foreign currency translation	—	2,813	833	3,646
- Items that will not be reclassified to Profit & Loss				
Remeasurement of post employment benefits	(1,370)		(79)	(1,449)
Deferred tax relating to Remeasurement	275		20	295
Total other comprehensive income	(1,095)	2,813	774	2,492
Total comprehensive income	18,549	2,813	4,299	25,661
Transactions with owners				
Addition on acquisition	—	—	35,641	35,641
Addition during the year	179			179
Dividend distribution to non controlling interests	—		(356)	(356)
As at March 31, 2012	109,785	10,188	46,052	166,025
As at April 1, 2012	109,785	10,188	46,052	166,025
Comprehensive income				
Profit for the year	(23,982)	—	11,064	(12,918)
Other comprehensive income				
- Items that may be subsequently classified to Profit & Loss				
Foreign currency translation	—	6,728	(947)	5,781
- Items that will not be reclassified to Profit & Loss				
Remeasurement of post employment benefits	(1,610)		(76)	(1,686)
Deferred tax relating to Remeasurement	313		17	330
Total other comprehensive income	(1,297)	6,728	(1,006)	4,425
Total comprehensive income	(25,279)	6,728	10,058	(8,493)
Transactions with owners				
Shares issued during the year	3		—	3
Addition during the year (Capital Contribution)	7,545		—	7,545
Dividend distribution to non controlling interests	—		(15,431)	(15,431)
As at March 31, 2013	92,053	16,916	40,679	149,648
As at April 1, 2013	92,053	16,916	40,679	149,648
Comprehensive income				
Profit for the year	62,284		17,424	79,708
Other comprehensive income				
- Items that may be subsequently classified to Profit & Loss				
Foreign currency translation	—	(19,865)	(3,429)	(23,294)
- Items that will not be reclassified to Profit & Loss				
Remeasurement of post employment benefits	17		(10)	7
Deferred tax relating to Remeasurement	89		(3)	86
Total other comprehensive income	106	(19,865)	(3,442)	(23,201)
Total comprehensive income	62,390	(19,865)	13,982	56,507
Transactions with owners				
Dividend distribution to non controlling interests	—	—	(6,127)	(6,127)
As at March 31, 2014	154,443	(2,949)	48,534	200,029

The notes on pages F-140 to F-195 are an integral part of these combined financial statements.

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.6. Notes to the Combined financial statements

A.6.1 General information and description of the business

The combined financial statements comprise of Samvardhana Motherson Reflectec Group Holdings Limited (formerly Samvardhana Motherson Visiocorp Solution Limited), incorporated in Jersey and its subsidiaries (hereinafter “SMR Group”) and Samvardhana Motherson Automotive Systems Group B.V (SMRP) (earlier known as Samvardhana Motherson B.V.), located in Amsterdam, Netherlands and its subsidiaries (hereafter “SMRBV Group”) for the year ended March 31, 2014, March 31, 2013 and March 31, 2012.

MSSL and SMIL are the ultimate shareholders of SMRP Group.

SMR Group

SMR Jersey was incorporated on February 16, 2009. On March 6, 2009 Samvardhana Motherson Reflectec Group Holdings Limited acquired the Visiocorp Group and with this acquisition commenced its operating business.

SMR Group develops and produces a wide range of exterior mirrors from simple prismatic versions up to complex multi function systems. In addition to the mirror technology, the Group develops and produces driver assistance systems such as detection systems in the door mirror for monitoring blind spots or mirror turn signals. It has production facilities and engineering centres in 14 countries across the globe.

SMRBV Group

SMRBV was incorporated on October 7, 2011 and acquired the Peguform Group as on November 23, 2011. The financial year ended March 31, 2012 only consists of the SMRBV Group’s business for a little more than four months. The details of the acquisition are provided in note A.6.3.

SMRBV Group supplies plastic parts and system modules for vehicle interiors and exteriors. Products for vehicle interiors include in particular interior door panels and dashboards. For exteriors, bumpers and other bodywork components are manufactured. The product range encompasses individual parts and complete modules, with engineering and tooling services also being provided. It has production facilities and engineering centres in 7 countries across the globe.

Hereinafter “SMR Group” and “SMRBV Group” are together referred to “SMRP Group”

A.6.2 Summary of Significant Accounting Policies

A.6.2.1 Basis of preparation

SMRP Group intends to attract new financing through the issuance of high yield bonds.

On June 13, 2014, SMRP acquired shareholding of Samvardhana Motherson Reflectec Group Holdings Limited (SMR) from Samvardhana Motherson Group Holdings Limited, Cyprus in share exchange deal wherein SMGHL transferred its entire shareholding (including acquired on June 9, 2014 from minority shareholders) to SMRP in exchange of 45,676 shares of a nominal value of euro one each issued by SMRP and consequently SMRP has become subsidiary of SMGHL. SMRBV Group and SMR Group were jointly controlled by Motherson Sumi Systems Limited and Samvardhana Motherson International Limited prior to June 13, 2014. This transaction classifies as a business combination under common control and combines SMR Group and SMRBV Group into one reporting entity.

Shareholders of SMRP have approved allotment of shares to SMGHL in their meeting dated June 13, 2014.

These combined financial statements have been authorized for issue by SMRP’s management and supervisory board on June 18, 2014.

These combined financial statements comprises the consolidated financial statements of SMRBV Group and the consolidated financial statements of SMR Group for the three years ended March 31, 2014, March 31, 2013 & March 31, 2012 and have been prepared to provide insight in the combined historical performance of SMR Group and SMRBV Group in the three years prior to the business

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

combination and have been prepared based on the predecessor values of SMR Group and SMRBV Group. Hereinafter the combined entities are referred to as 'the Group'. The Group is headquarters in Amsterdam, the Netherlands.

Certain adjustments have been made to the historical consolidated income statements of SMR Group and SMRBV Group to reflect the unified presentation of financial statements, including certain reclassifications to (i) conform SMR Group's income statement to the income statement of SMRBV Group, (ii) to effect the change in SMRBV Group's calendar year from December 31 to March 31, (iii) to align the accounting policies of SMR Group and SMRBV Group and (iv) to reflect the application of IAS 19R throughout the three years ended March 31, 2012, March 31, 2013 and March 31, 2014.

The Group has prepared these combined financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS EU").

The Group has elected not to apply IFRS 1 'First-time Adoption of International Financial Reporting Standards' since both SMR Group and SMRBV Group have historically prepared statutory financial statements under IFRS. The accounting policies in these combined financial statements are materially consistent with the accounting policies applied in the statutory accounts of SMR Group and SMRBV Group.

The combined financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

These combined financial statements have been prepared for the following periods.

Primary statements	Year/periods
Combined Balance Sheet/Combined Statement of Owners Net Investment	Year ended March 31, 2012 Year ended March 31, 2013 Year ended March 31, 2014
Combined Income Statement/Combined Statement of Comprehensive Income/ Combined Cash Flow Statement	April 1, 2011 to March 31, 2012 April 1, 2012 to March 31, 2013 April 1, 2013 to March 31, 2014

The Combined Income Statement, Combined Statement of Comprehensive Income and Combined Cash Flow Statement consist of SMR Group for the full three year period and incorporates the SMRBV Group from the date the entity joined the Group (October 7, 2011).

At the reporting dates the combined financial statements include not only the holding company and subsidiaries but also the results of companies in which the Group directly or indirectly holds more than 20% of the voting shares.

A.6.2.2 Currency translation

A.6.2.2.1 Transactions in foreign currencies

All transactions are recorded in functional currency of the principal operating environment in which each Group company operates. The functional currency of SMR and SMRBV is determined to be Euro. The combined financial statements are presented in 'Euro', which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on this date. Differences from foreign currency transactions are reported in the income statement. Non-monetary assets and liabilities that are measured at historical cost in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on the day of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies at the reporting date are translated into the functional currency at the rate prevailing on the date on which the fair value was determined.

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

A.6.2.2 Annual financial statements of foreign operations

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

The exchange rates of currencies of non-Euro zone countries used for the combined financial statements are listed below (expressed in foreign currency units per Euro):

<u>Foreign currencies</u>		<u>Closing rates</u> <u>March 31, 2014</u>	<u>Avg. rates</u> <u>2013-14</u>	<u>Closing rates</u> <u>March 31, 2013</u>	<u>Avg. rates</u> <u>2012-13</u>	<u>Closing rates</u> <u>March 31, 2012</u>	<u>Avg. rates</u> <u>2011-12</u>
Brazilian Real	BRL	3.13	3.02	2.59	2.59	2.44	2.34
Mexican Peso	MXN	17.98	17.32	15.78	16.82	17.08	17.41
Chinese Yuan	CNY	8.56	8.20	7.96	8.10	8.40	8.82
US Dollar	USD	1.38	1.34	1.28	1.29	1.33	1.38
Great British Pound . . .	GBP	0.83	0.84	0.84	0.82	0.83	0.86
Korean Won	KRW	1466.02	1461.38	1424.14	1435.28	1509.63	1527.99
Indian Rupee	INR	82.50	81.12	69.60	70.03	67.88	65.86
Thai Bhat	THB	44.60	42.15	37.53	39.60	41.14	42.11
Hungarian Forint	HUF	306.86	299.38	303.59	288.84	294.20	285.00
Japanese Yen	JPY	142.09	134.40	120.73	107.15	110.47	108.88
Australian Dollar	AUD	1.49	1.44	1.23	1.25	1.29	1.32

A.6.2.3 Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiaries

The consolidation of companies acquired from third parties was carried out at the time of control using the acquisition method. According to this method, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Intangible assets are recognized separately from any (negative) goodwill, provided that they can be separated from the company or are derived from a contractual or other entitlement.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration and the fair value of non-controlling interest is lower than the fair value of the net assets of the subsidiary acquired, the difference is directly recognized in profit or loss.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

The potential cash payments related to put options issued by the Group over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognized at fair value within liabilities with a corresponding charge directly to equity. The charge to equity is recognized separately as written put options over non-controlling interests, adjacent to non-controlling interests in the net assets of consolidated subsidiaries.

The Group recognizes the cost of writing such put options, determined as the excess of the fair value of the option over any consideration received, as a financing cost. Such options are subsequently measured at amortized cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost.

Joint ventures

Joint ventures are companies over which the Group holds joint control as a result of contractual agreements. Joint ventures are reported in using the equity method.

The combined financial statements contain the revenue and expenses attributable to the Group for joint ventures from the time at which joint control begins until the end of the control after they have been adapted to the accounting and measurement methods used by the Group.

Interest in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of 20% to 50% of the voting rights. Investments in associate are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Equity Method

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in the associate/joint venture equals or exceeds its interest in the associate/joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate/joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate/joint ventures and its carrying value and recognizes the amount adjacent to share of profit/(loss) of an associate/joint ventures in the income statement.

Accounting policies of the associates/joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates/joint ventures are recognized in the income statement.

Elimination of business transactions in the course of consolidation

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated.

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

Profits and losses resulting from unrealised upstream and downstream transactions between the Group and its associate / joint ventures are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates / joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Unrealised gains or losses from business transactions with joint ventures accounted for using the equity method have been eliminated from the investments in accordance with the amount of the holding.

In determining the entities to be included in the combined financial statements, management considered those entities that have been managed as part of SMR Group and SMRP Group on a historical basis. These entities have been classified as subsidiary, associate or joint venture undertakings and all intra-group transactions, balances, income and expenses, including unrealized profits on such transactions, have been eliminated.

The legal entities forming part of the Group are as follows:

SMR Group comprises the subsidiaries as disclosed below:

<u>Name</u>	<u>Country</u>	<u>Capital share</u>	<u>Minority shares</u>	<u>Voting rights</u>
Samvardhana Motherson Reflectec Group Holdings Limited	Jersey	93.6%	6.4%	93.6%
SMR Automotive Systems India Limited	India	51%	49%	51%
SMR Automotive Systems France S. A.	France	100%		100%
SMR Automotive Mirror Systems Holding Deutschland GmbH	Germany	100%		100%
SMR Poong Jeong Automotive Mirrors Korea Limited	South Korea	90%	10%	90%
SMR Hyosang Automotive Limited	South Korea	90%	10%	90%
SMR Automotive (Langfang) Co. Limited (incorporated on April 1, 2012)	China	90%	10%	90%
SMR Holding Australia Pty Limited	Australia	100%		100%
SMR Automotive Australia Pty Limited	Australia	100%		100%
SMR Automotive Mirror Technology Hungary Bt	Hungary	100%		100%
SMR Grundbesitz GmbH & Company KG	Germany	94%	6%	94%
SMR Automotive Services Portchester Limited	UK	100%		100%
SMR Automotive Mirrors UK Limited	UK	100%		100%
SMR Automotive Technology Valencia SAU	Spain	100%		100%
SMR Automotive Services UK Limited	UK	100%		100%
SMR Automotive Mirror International USA Inc.	USA	100%		100%
SMR Automotive Systems USA Inc.	USA	100%		100%
SMR Automotive Systems Spain S.A.U.	Spain	100%		100%
SMR Automotive Vision Systems Mexico S.A. de C.V.	Mexico	100%		100%
SMR Automotive Servicios Mexico S.A. de C.V.	Mexico	99.99%		99.99%
SMR Automotive Mirrors Stuttgart GmbH	Germany	100%		100%
SMR Automotive Patents S.A.R.L.	Luxemburg	100%		100%
SMR Automotive Beteiligungen Deutschland GmbH	Germany	100%		100%
SMR Automotive Beijing Company Limited	China	100%		100%
SMR Automotive Yancheng Company Limited	China	100%		100%
SMR Automotive Mirror Technology Holding Hungary Kft	Hungary	100%		100%
SMR Automotive Mirror Parts and Holdings UK Limited	UK	100%		100%
Samvardhana Automotive Technology Holding Cyprus Limited	Cyprus	100%		100%
SMR Automotive Holding Hong Kong Limited	Hong Kong	100%		100%
SMR Automotive Brasil LTDA	Brazil	100%		100%
SMR Automotive System (Thailand) Limited	Thailand	100%		100%
SMR Automotives Systems Macedonia Dooel Skopje	Macedonia	100%		100%
SMR Automotive Operations Japan K.K.	Japan	100%		100%
SMR Automotive Vision System Operations USA INC. (incorporated on March 17, 2014)	USA	100%		100%
SMR Mirror UK Limited (incorporated on March 19, 2014)	UK	100%		100%
SMR Automotive Services Portchester Limited (liquidated on July 9, 2013)	UK	100%		100%

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SMR Group comprises equity consolidated companies as disclosed below:

<u>Name</u>	<u>Country of incorporation</u>	<u>Group interest in %</u>
Ningbo SMR Huaxiang Automotive Mirrors Co., Ltd	China	50.0%
Chongqing SMR Huaxiang automotive Products Limited	China	50.0%
Re Time Pty Limited	Australia	40.6%

SMP Group comprises the subsidiaries as disclosed below:

<u>Name</u>	<u>Country</u>	<u>Capital share*</u>	<u>Minority shares</u>	<u>Voting rights</u>
Samvardhana Motherson B.V.	Netherlands			
Samvardhana Motherson Peguform GmbH	Germany	100.0%		100.0%
SMP Automotive Interiors (Beijing) Co. Ltd (incorporated on March 31, 2014)	China	100.0%		100.0%
SMP Automotive Exterior GmbH (incorporated on May 31, 2013)	Germany	100.0%		100.0%
SMP Deutschland GmbH	Germany	78.5%	21.5%***	78.5%
SMP Automotive Solutions Slovakia s.r.o.	Slovakia	78.5%	21.5%***	100.0%
SMP Logistik Service GmbH (earlier known as SMP Automotive Solutions Personalleasings GmbH)	Germany	78.5%	21.5%***	100.0%
Changchun Peguform Automotive Plastics Technology Ltd.	China	39.3%	50%-1**	50%+1**
SMP Automotive Technology Management Services (Changchun) Co. Ltd.	China	78.5%		100.0%
Foshan Peguform Automotive Plastics Technology Co. Ltd.	China	39.3%	50%-1	100.0%
SMP Automotive Technology Ibérica, S.L.	Spain	83.7%	16.3%***	83.7%
SMP Automotive Technologies Teruel, S.L.	Spain	83.7%	16.3%***	100.0%
Samvardhana Motherson Peguform Barcelona, S.L.U.	Spain	83.7%	16.3%***	100.0%
PAINTYES Sociedade Portuguesa de Pintura S.A.(as per December 30, 2013 merged with SMP Automotive Technology Portugal, S.A.)	Portugal	83.7%	16.3%***	100.0%
Samvardhana Motherson Peguform Automotive Technology Portugal, S.A.	Portugal	83.7%	16.3%***	100.0%
SMP Automotive Produtos Automotivos do Brasil Ltda	Brazil	83.7%	16.3%***	100.0%
SMP Automotive Systems México, S. A. de C. V.	Mexico	83.7%	16.3%***	100.0%
SMP Shock Absorber Fabrication Mexico S.A de C.V.	Mexico	83.7%	16.3%***	100.0%
SMP Tecnologia Parachoques S.A. de C.V.	Mexico	83.7%	16.3%***	100.0%

* In consideration of recalculated minority interest.

** SMP Deutschland GmbH has 50% of the voting rights plus one additional vote.

*** 16.3% of the minority shares have been excluded from the Non controlling interest due to the existence of put/call option.

SMP Group comprises equity consolidated companies as disclosed below:

<u>Name</u>	<u>Country of incorporation</u>	<u>Group interest in %</u>
Celulosa Fabril S.A.	Spain	50.0%
Modulos Ribera Alto S.LU.	Spain	50.0%
Eissmann SMP Automotive Interieur Slovensko s.r.o.	Slovakia	49.0%
Wethje Entwicklungs GmbH (held by Samvardhana Motherson Peguform GmbH) (upto October 29, 2012)	Germany	50%
Wethje Carbon Composite GmbH (held by Samvardhana Motherson Peguform GmbH) (upto October 29, 2012)	Germany	50%
Die Wethje GmbH Kunststofftechnik (held by Wethje Carbon Composite GmbH) (upto October 29, 2012)	Germany	50%

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A.6.2.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets with a finite useful life are carried at cost less accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is capitalized if it meets the definition of an intangible asset. Costs not eligible for capitalization are expensed off and disclosed under “Research and development costs” in the income statement.

The intangible assets are amortized on a straight-line basis over their useful lives, beginning at the time the asset is first used and ending after a length of time usual for the asset in operation. The uniform useful lives applied within the Group are as follows:

<u>Useful lives</u>	<u>March 31, 2014</u> <u>Years</u>	<u>March 31, 2013</u> <u>Years</u>	<u>March 31, 2012</u> <u>Years</u>
Concessions, intellectual property, software and similar rights . . .	1-3	1-3	1-3
Contracts with customers	3-11	3-11	1-16
Patents & Technologies	5-13	5-13	2-13

The useful life of customer contracts, engineering contracts as well as technology is the result of the analyses and average useful life of the contracts.

The depreciation methods, the usual useful lives and the residual values are checked annually.

A.6.2.5 Property, plant and equipment

A.6.2.5.1 Own assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. When a major replacement is made, its cost is recognized in the carrying amount of the plant and equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

A.6.2.5.2 Leased assets

Leasing agreements in which the Group has essentially assumed all risks and opportunities are classified as finance leases. A property acquired under finance lease needs to be capitalized at the lower of its fair value or the present value of the minimum lease payments at the beginning of the lease period. Asset acquired under finance lease is depreciated over shorter of its useful life and lease term

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(provided that there is no transfer of the assets at the end of the lease term) or the estimated useful life (see A.6.2.5.3). Impairments are performed as necessary (see A.6.2.7).

If, from an economic perspective, not all material opportunities and risks have been transferred, leasing agreements are classified as operating leases and the income and expenses derived there from are recognized in the income statement.

A.6.2.5.3 Depreciation

Straight-line depreciation is applied within the Group using uniform useful lives.

<u>Useful lives</u>	<u>Years</u>
Land & buildings	40 - 50
Machinery and other technical facilities	10 -15
Tooling	1-7
Other plant and office equipment	5 - 15

The depreciation methods, the usual useful life and the residual values are checked annually. No depreciation is charged on land.

A.6.2.6 Investment Properties

Investment properties are stated at cost less accumulated depreciation. Transaction costs are included on initial measurement. The fair values of investment properties are disclosed in the notes. These are assessed using internationally accepted valuation methods. The fair values are calculated based on the income method and are supported by the results of the sales comparison method which compares a subject property's characteristics with those of comparable properties which have recently sold in similar transactions and uses multiples to calculate the fair value. Comparable characteristics that are used for the multiples are the construction level and the specific rent level. Depreciation is provided on investment property other than land, on a straight-line basis over the expected useful life which is 30 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the cost less accumulated depreciation at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

A.6.2.7 Impairment of non-current assets

Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (see A.6.2.7.1).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units), generally individual business units. Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Impairment is recognized if the carrying value of an asset or its cash-generating unit exceeds the recoverable amount. Impairments are reported in the income statement.

The Group performed reviews at the reporting date to determine whether there were indications that assets or their cash-generating units have to be impaired. The triggering event for the impairment of customer and engineering contracts is a budget that causes sales revenues from customer and engineering contracts to be reduced in the future.

The triggering event for the impairment of Technology is also a budget that causes revenues to be reduced in the future or material changes in determination of royalty rate.

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The triggering event for the impairment of patent and intellectual property is change in future economic benefits embodied in the asset.

As of the reporting date, no impairments have been identified on customer and engineering contracts, technology or fixed assets.

A.6.2.7.1 Recoverable amounts

The recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets that primarily do not generate independent cash flows, the recoverable amount was determined for the cash-generating units to which these assets belonged.

A.6.2.7.2 Impairment reversals

In case events which caused impairment initially ceases to exist, impairments are only reversed to the extent that increased carrying amount of the asset does not exceed the carrying amount that would have been in place had there no impairment been carried out in the first place, taking into account the normal depreciation/amortization.

A.6.2.8 Financial instruments

A financial instrument is any agreement that leads to the generation of financial asset at one company and/or to a financial liability or equity instrument at another. Financial instruments can be placed into one of four categories according to their intended purpose: financial assets measured at fair value through profit or loss, financial assets held to maturity, loans and receivables, financial assets available for sale.

Financial instruments include primary financial instruments such as receivables and trade liabilities, securities, debt instruments and other financial liabilities. They also include derivative financial instruments used to hedge against risks arising from changes in exchange rates and interest rates.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A.6.2.8.1 Primary financial instruments

Primary financial instruments are allocated to one of four categories according to their intended purpose. This allocation is re-assessed at each reporting date and it is determined whether the asset is to be reported as current or non-current.

a. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement. Changes in the fair value of financial assets measured at fair value - either because they have been reported as such upon initial recognition or are held for trading - are recognized directly in the income statement. They are also reported as current assets if they are being held for trading or it can be reasonably expected that they will be converted within twelve months from the reporting date.

b. Financial assets held to maturity are initially recognized at fair value plus transaction costs. Financial assets held to maturity which exhibit fixed or determinable payments and a fixed maturity period, and which the Group wishes and is able to hold until maturity are measured at amortized cost and reported depending on their maturity period as non-current or current assets. Impairments are recorded in profit or loss.

c. Loans and receivables are initially recognized at fair value plus transaction costs. Loans and receivables that have fixed or determinable payments and are not listed on an active market are

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measured at amortized cost using the effective interest method less any necessary write-downs arising from impairments. They are reported in the statement of financial position under other receivables and other assets unless they are trade receivables, and are recorded as non-current or current depending on their maturity period.

d. Available-for-sale financial assets that have been reported as such upon initial recognition are measured at fair value, provided that this can be determined, and then reported as non-current or current assets, depending on the expected time of sale. Gains and losses from changes in fair value are recorded net, i.e. after tax, and taken directly to equity (“Other comprehensive income”) until the financial asset has been derecognized. In the event that an asset is impaired permanently, however, the loss must be recorded directly in the income statement. If it is not possible to determine the fair value, for example with holdings in non-consolidated affiliated companies or other investments in companies, these assets are measured at cost.

Financial liabilities are initially recognized at fair value less transaction costs for liabilities not recognized at fair value through profit or loss. Subsequently financial liabilities from primary financial instruments are measured at amortized cost. The Group measures all financial liabilities except derivatives at amortized cost, which encompasses the remaining debt amount less expenses. Liabilities from finance leases are measured at the present value of the remaining minimum lease payments on the basis of the interest rate underlying the leasing agreement. Financial liabilities with fixed or determinable payments that are neither debt instruments nor derivative financial instruments listed on an active market are reported in the statement of financial position under other liabilities in accordance with their maturity.

All material financial instruments are therefore measured at historical cost or amortized cost less impairments.

A.6.2.8.2 Derivative financial instruments

Derivative financial instruments that are not part of a hedging relationship are carried at fair value upon initial recognition, corresponding to the fair value of the consideration received or given in return. After initial recognition, derivative financial instruments are carried at fair value, which is based on the market value of the financial instrument. Any changes in fair value are recorded directly in profit or loss.

A.6.2.9 Inventories

Inventories are initially measured at cost, which comprises those costs directly attributable to the production process and an appropriate share of production overheads based on normal operating capacity. This includes write-downs related to production and a reasonable proportion of the administrative and social security costs. Financing costs are not included in the acquisition or production costs. Costs for raw materials and supplies are determined using the moving weighted average prices.

In the course of the subsequent valuation, inventories are carried at the lower of the cost or net realizable value at the reporting date. The net realizable value is the estimated selling price that could be achieved in the course of normal business less estimated costs of completion and sales costs. Impairments take into account reduced market viability and excessive storage times as indicator for a reduced net realizable value. If the reasons for the impairment no longer apply, the impairments are reversed in full.

A.6.2.10 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. The Group uses the ‘percentage-of-completion method’ to determine the appropriate amount to recognize in a given period. The Group determines the level of completion on the basis of

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milestones achieved to date. If it is not possible to determine the level of completion reliably, revenue is recognized only to the extent of contract costs incurred that is probable will be recoverable. Therefore, no profit is reported in such a situation (“zero profit margin method”). The costs include all expenses incurred in direct relation to the specific projects and a proportion of the fixed and variable general costs incurred on the basis of normal capacity for the Group’s construction contracts . On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the opposite is the case.

A.6.2.11 Trade receivables

Trade receivables are carried as applicable using the effective interest method at amortized cost less any impairment. Impairment is carried out if delays or defaults become likely in specific cases.

A.6.2.12 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and bank deposits that each has an original maturity of less than three months.

A.6.2.13 Income taxes

Current taxes are those taxes foreseeably payable on a year’s taxable income in accordance with the statutory tax rates or tax rates that had been substantially adopted as of the reporting date, as well as all adjustments to payable taxes in relation to previous reporting periods.

Income taxes for the annual result reported in the income statement comprise current taxes and deferred taxes. Income taxes are recorded in the income statement unless they relate to items recognized directly in equity or in other comprehensive income. In this case, the income taxes incurred are also recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are recognized for all temporary differences between the carrying amount as per IFRS and the relevant tax assessment basis. Deferred tax liabilities are not recognized for temporary differences (“outside-basis differences”) if the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities for dividends from subsidiaries will be recognized if the parent company determines that the profits of the respective subsidiary will be distributed in the foreseeable future. Deferred tax assets contain tax assets that are derived from the expected utilization of unused tax losses and unused tax credits, unless it is improbable that the future taxable profits will be available against which the temporary differences can be utilized. Deferred taxes are calculated on the basis of the tax rates that are expected to apply to the period when the asset is realized and the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period in the respective country.

A.6.2.14 Provisions

A.6.2.14.1 Pension provisions

Companies within the Group operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of

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plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in income.

When a settlement or a curtailment occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognized in the income statement during the period in which the settlement or curtailment occurs.

The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions after considering any legal or contractual minimum funding requirements. The minimum funding requirements stipulate a minimum amount or level of contributions that must be made to a plan over a given period and may limit the ability of the entity to reduce future contributions and considered respectively in determining the economic benefit from the plan.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

A.6.2.14.2 Warranties

A provision is recognized for expected warranty claims on products previously sold, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

A.6.2.14.3 Tax provisions and other provisions

Provisions for tax and other purposes are recognized to accommodate the possibility that current legal or constructive obligations against third parties resulting from a past event exist, and that it is probable that an outflow of economic benefits will be required to settle the obligation, and that the amount of these obligations can be estimated reliably.

Long-term provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Short term provisions are carried at their redemption value and are not offset against receivables from reimbursements.

A.6.2.15 Government Grants and grants from private companies & institutions

Government grants are recognized when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants in respect of capital expenditure are credited to the acquisition costs of the respective fixed asset and thus are released as income over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate as the conditions attached to the grants are met.

Grants from private companies and institutions are accounted for in a manner similar to the accounting for government grants, if the grants are comparable to government grants in their nature and the conditions related to these grants are satisfied.

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A.6.2.16 Liabilities

Liabilities from finance lease are initially carried at equal to the fair value of leased property, or if lower, the present value of minimum lease payments. The lease payments are then separated into financing costs and the redemption of the remaining liability.

Other liabilities are measured - as applicable - at amortized cost using the effective interest method.

A.6.2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

A.6.2.18 Recognition of income and expenses

Sales revenue and other operating income is recognized when ownership of an asset changes hands or the opportunities and risks related to the property are transferred to the customer, when the amount of the income has been determined or can be determined, and when there is sufficient likelihood that the economic benefit from the sale will flow to the Group. Sales revenue from the sale of goods is measured at the fair value of the consideration received or to be received less product returns, rebates and discounts for early payment. Revenues from the sale of services are recorded with respect to the stage of completion as of the reporting date in relation to the total service to be provided in the course of the transaction.

Operating expenses are recognized when goods or services are used or when the expense is incurred. Anticipated losses from construction contracts are directly recognized as expenses.

Interest is recognized using the effective interest method as an expense or income for the period in which it occurs. Interest payments for finance leases are calculated by breaking down the minimum lease payments into financing costs and redemption payments for the remainder of the liability and spreading the financing costs over the periods covered by the term of the leasing agreement. This allows a constant, periodic interest rate for the remainder of the liability to be calculated. Payments from operating leases are recognized over the term of the leasing agreement using a straight-line distribution in the income statement.

Dividend income is recognized when the right to receive payment is established.

A.6.2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the supervisory board that makes strategic decisions.

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A.6.2.20 Changes in accounting policies and disclosures

The IASB has adopted the following changes to existing IFRS and adopted new IFRS standards, which have also already been adopted by the European Commission, thereby making their application mandatory as for Financial Year 2014 to the extent relevant for the Group has been applied consistently over the three years.

New standards and interpretations

Amendments to IAS 1, 'Presentation of Financial Statements'	Presentation of items of other comprehensive income
Amendment to IAS 12 'Income taxes'	Deferred tax accounting for investment properties
IAS 19 (revised)	Employee benefits
Amendments to IFRS 1, 'First time adoption of IFRS'	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to IFRS 1, 'First time adoption of IFRS'	Government loans
Amendment to IFRS 7 'Financial Instruments'	Transfers of financial assets
IFRS 13	Fair Value Measurement
IFRIC 20	Stripping costs in the production phase of a surface mine
	Annual Improvements to IFRSs 2009 – 2011 Cycle

The first-time adoption of the new or revised IFRS did not have any material effect on the net asset, financial or income position of the Group.

Future changes to accounting regulations

The IASB and IFRIC have adopted further standards and interpretations, but the adoption of these is not mandatory for the reporting period or they have not been endorsed by the European Commission. This concerns the following standards and interpretations:

	Adoptions for reporting periods that begin on or after the specified date (in accordance with EU endorsement)
IFRS 10 - Consolidated Financial Statements	1 January 2014
IFRS 11 - Joint Arrangements	1 January 2014
IFRS 12 - Disclosure of interests in other entities	1 January 2014
Amendments to IFRS 10, 11, 12 - Transition guidance	1 January 2014
IAS 27 - Separate financial statements	1 January 2014
IAS 28 - Investments in Associates and Joint Ventures	1 January 2014
Amendments to IFRS 10, 12 and IAS 27 'Investment entities'	1 January 2014
Amendments to IAS 32, 'Offsetting financial instruments asset and liability'	1 January 2014
Amendments to IAS 36, 'Recoverable Amount disclosures for Non-Financial Assets'	1 January 2014
Amendments to IAS 39, 'Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014
Amendments to IAS 19, 'Defined Benefit Plans: Employee Contributions'	1 July 2014

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	Adoptions for reporting periods that begin on or after the specified date (in accordance with EU endorsement)
IFRS 9 - Financial Instruments, 'Classification and measurement'	Not yet endorsed
IFRS 9 - Financial Instruments, 'Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39'	Not yet endorsed
Amendments to IFRS 9 and IFRS 7, 'Mandatory Effective Date and Transition Disclosures'	Not yet endorsed
IFRS 14 - Regulatory Deferral Accounts	Not yet endorsed
Annual Improvements to IFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011 - 2013 Cycle	1 July 2014
IFRIC 21 'Levies'	1 January 2014

From a current point of view there will not be any material effects on the Group's net assets, financial position and results of operations from the first-time application of the new or revised standards and interpretations.

However, the effects are not analyzed finally yet. An early adoption of any of the new standards and interpretations is not planned.

A.6.3 Business Combination

On November 23, 2011 SMRBV obtained control of Peguform Group by acquiring 80% stake and voting interests in SMP Automotive Technology Ibérica S.L. (formerly Peguform Ibérica, SL), 74.8% stake and voting interests in SMP Deutschland GmbH (formerly Peguform GmbH) for total consideration k€ 141,500, from which k€ 6,500 related to acquisition of 50% stake in Wethje Group. Furthermore 5.2% stake in Peguform GmbH was purchased by Samvardhana Motherson Global Holdings Ltd, Nikosia/Cyprus for k€ 5,483. Therefore, the total consideration for SMRBV Group was k€ 129,517.

Samvardhana Motherson Peguform GmbH (earlier known as Forgu GmbH) as well as SMRBV agreed on a Put/Call-Option with PF Beteiligungsverwaltungs GmbH, Wels/Austria, for the remaining 20% quote of Peguform GmbH respectively Peguform Ibérica. Due to the options, the 20% interest in Peguform Ibérica S.L. and in Peguform GmbH has been excluded from NCI. The group has made the assumption that the economic benefits and risks associated with the actual ownership of the shares are transferred to the controlling shareholder. Consequently, the non-controlling interest is derecognized and a financial redemption liability is recorded to reflect the put/call option. The Put as well as Call-Option are under same conditions and can be exercised after a two years period within a 12 months exercise period. Therefore, a redemption liability of k€ 35,000 was entered as on March 31, 2012 representing the expected present value of the exercise price of the Put/Call-Option.

On October 29, 2012 SMPG entered into a sale and purchase agreement with PF Beteiligungsverwaltungs GmbH/Austria and sold the respective 50% interest part of SMPG in Wethje Entwicklungs GmbH and Wethje Carbon Composite GmbH to PF Beteiligungsverwaltungs GmbH. On same date both partly exercised its Put respectively Call option to and sold 3.72% interests in SMP Deutschland GmbH and SMP Iberica S.L. to the Group.

The redemption liability of k€ 35,000 entered as on March 31, 2012 was reduced to k€ 28,424 representing the expected present value of the exercise price of the Put/Call-Option as on March 31, 2013. Due to the fact that the exercise period starts within one year the redemption liability of

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k€ 28,424 was reclassified from non-current to current other liabilities. Further redemption liability has been re-measured to k€ 28,067 representing the expected present value of the exercise price of the Put/Call-Option as on March 31, 2014.

PF Beteiligungsverwaltungs exercised the put option for 16.28% held by them in SMP Deutschland GmbH and SMP Automotive Technology Iberica S.L. in accordance with the framework agreement.

The total consideration, final identifiable assets acquired and liabilities of Peguform Group at the date of acquisition amounts as follows:

<u>Particulars</u>	<u>Amount</u>
Consideration at November 23, 2011	
Cash	129,517
Redemption Liability	35,000
Total consideration transferred	164,517
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (see note A.6.4.2)	361,656
Intangible assets (see note A.6.4.1)	31,851
Deferred tax assets	10,291
Inventories	88,786
Trade receivables and other assets	337,209
Joint venture, accounted for using equity method	8,646
Cash and cash equivalents	24,538
Loans and borrowings	(220,813)
Deferred tax liabilities	(46,036)
Provisions	(7,421)
Trade and other payables	(352,950)
Total identifiable net assets	235,757
Non-controlling interest	(35,641)
Bargain purchase (Bad will)	(35,599)
Total	164,517
Redemption Liability	
Opening balance November 23, 2011	35,000
Interest expense	—
Closing balance March 31, 2012	35,000
Interest expense	—
Exercise of 3,72% of the put-call option	(6,576)
Closing balance March 31, 2013	28,424
Interest expense	538
Re measurement of option liability	(895)
Closing balance March 31, 2014	28,067

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A.6.4 Disclosures regarding the combined statement of financial position

A.6.4.1 Intangible assets

	Concessions, Intellectual Property, Software and Similar rights	Patents & Technology	Contracts with customers	Total
Cost				
At April 1, 2011	595	14,140	4,262	18,997
Addition on Acquisition	4,812	11,769	15,270	31,851
Additions	2,417	—	—	2,417
Disposals	—	—	—	—
Reclassifications	222	—	—	222
Foreign currency translation	(2)	—	(139)	(141)
At March 31, 2012	8,044	25,909	19,393	53,346
Amortization				
At April 1, 2011	595	2,703	1,997	5,295
Amortization charge during the period	1,630	1,297	307	3,234
Disposals	—	—	—	—
Reclassifications	(7)	—	—	(7)
Foreign currency translation	—	—	(45)	(45)
At March 31, 2012	2,218	4,000	2,259	8,477
Net book values 31.03.2012	5,826	21,909	17,134	44,869
Cost				
At April 1, 2012	8,044	25,909	19,393	53,346
Additions	2,645	—	—	2,645
Disposals	(135)	—	—	(135)
Reclassifications	91	—	—	91
Foreign currency translation	(3)	—	55	52
At March 31, 2013	10,642	25,909	19,448	55,999
Amortization				
At April 1, 2012	2,218	4,000	2,259	8,477
Amortization charge during the period	2,665	4,239	2,768	9,672
Disposals	(135)	—	—	(135)
Reclassifications	—	—	—	—
Foreign currency translation	1	—	22	23
At March 31, 2013	4,749	8,239	5,049	18,037
Net book values 31.03.2013	5,893	17,670	14,399	37,962
Cost				
At April 1, 2013	10,642	25,909	19,448	55,999
Additions	1,899	—	—	1,899
Disposals	(283)	—	—	(283)
Reclassifications	669	—	—	669
Foreign currency translation	(113)	—	(211)	(324)
At March 31, 2014	12,814	25,909	19,237	57,960
Amortization				
At April 1, 2013	4,749	8,239	5,049	18,037
Amortization charge during the period	3,430	3,651	2,259	9,340
Disposals	(9)	—	—	(9)
Reclassifications	(10)	—	—	(10)
Foreign currency translation	(33)	—	(138)	(171)
At March 31, 2014	8,127	11,890	7,170	27,187
Net book values 31.03.2014	4,687	14,019	12,067	30,773

Combined Financial Statements — (Continued)
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The remaining economic useful lives of the major intangible assets are as follows:

	Years
Patents & Technology	4-10
Contracts with customers	1-8

Expenses for research and development for 2013-14 amounted to k€ 38,185 (Previous Year 2012-13: k€ 37,867, 2011-12: k€ 32,038).

Bank borrowings are secured by intangible assets as on March 2014 of k€ 3,701 (Previous Year March 2013: k€ 4,942, March 2012: k€ 5,105).

A.6.4.2 Property, plant and equipment

	Land and buildings	Machinery and other technical facilities	Tooling	Other plant and office equipment	Construction work in progress + Capital Adv.	Total
Cost						
At April 1, 2011	46,676	53,190	15,087	8,846	29,065	152,864
Addition on acquisition	132,657	199,182	—	11,935	17,882	361,656
Additions	2,639	19,290	962	7,799	60,809	91,499
Disposals	(4)	(3,908)	(1,823)	(629)	—	(6,364)
Reclassifications	24,552	18,776	7,256	2,889	(54,370)	(897)
Foreign currency translation	984	1,472	573	3	392	3,424
At March 31, 2012	207,504	288,002	22,055	30,843	53,778	602,182
Depreciation and Impairment						
At April 1, 2011	3,200	12,307	5,061	3,213	—	23,781
Depreciation charge for the period	3,386	17,833	3,585	4,723	—	29,527
Disposals	(1)	(1,064)	(76)	(193)	—	(1,334)
Reclassifications	—	(121)	—	127	—	6
Foreign currency translation	72	384	209	17	—	682
At March 31, 2012	6,657	29,339	8,779	7,887	—	52,662
Net book values at March 31, 2012	200,847	258,663	13,276	22,956	53,778	549,520
Cost						
At April 1, 2012	207,504	288,002	22,055	30,843	53,778	602,182
Additions	6,045	48,460	1,272	7,516	34,402	97,695
Disposals	(888)	(4,854)	(1,209)	(2,094)	(16)	(9,061)
Reclassifications	8,793	35,435	3,508	2,316	(49,312)	740
Foreign currency translation	1,829	1,518	1,047	6	472	4,872
At March 31, 2013	223,283	368,561	26,673	38,587	39,324	696,428
Depreciation and Impairment						
At April 1, 2012	6,657	29,339	8,779	7,887	—	52,662
Depreciation charge for the period	9,082	48,258	3,905	8,144	—	69,389
Disposals	(867)	(3,178)	(500)	(1,826)	—	(6,371)
Reclassifications	62	1,512	—	22	—	1,596
Foreign currency translation	84	764	418	76	—	1,342
At March 31, 2013	15,018	76,695	12,602	14,303	—	118,618
Net book values at March 31, 2013	208,265	291,866	14,071	24,284	39,324	577,810

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	Land and buildings	Machinery and other technical facilities	Tooling	Other plant and office equipment	Construction work in progress + Capital Adv.	Total
Cost						
At April 1, 2013	223,283	368,561	26,673	38,587	39,324	696,428
Additions	8,189	17,061	995	4,561	91,677	122,483
Disposals	(594)	(8,466)	(733)	(1,034)	(1,542)	(12,369)
Reclassifications	9,738	18,045	4,704	2,419	(35,577)	(671)
Foreign currency translation	(6,513)	(9,366)	(938)	(1,410)	(8,729)	(26,956)
At March 31, 2014	234,103	385,835	30,701	43,123	85,153	778,915
Depreciation and Impairment						
At April 1, 2013	15,018	76,695	12,602	14,303	—	118,618
Depreciation charge for the period	9,443	51,631	4,568	8,412	—	74,054
Impairment	215	2,479	—	6	—	2,700
Disposals	(296)	(6,510)	(298)	(820)	—	(7,924)
Reclassifications	—	(82)	—	92	—	10
Foreign currency translation	(486)	(3,211)	(577)	(401)	—	(4,675)
At March 31, 2014	23,894	121,002	16,295	21,592	—	182,783
Net book values at March 31, 2014	210,209	264,833	14,406	21,531	85,153	596,132

Bank borrowings are secured by property plant and equipment as on March 2014 of k€ 466,080 (Previous Year March 2013: k€ 438,906, March 2013: k€ 430,155) (see note A.6.4.13).

Impairment relates to assets damaged in fire at Polinya Plant of SMRBV Group, expense has been charged in Depreciation and Amortization cost in Income statement.

During the year, the Group has capitalized borrowing costs amounting to k€ 590 on qualifying assets. Borrowing costs were capitalized at the weighted average rate of its general borrowings of 4.12%.

The following table presents the development of the carrying amounts of the finance lease assets reported in property, plant and equipment:

	Land and buildings	Machinery & other technical facilities	Other plant and office equipment	Total
Cost				
Cost At April 1, 2011	2,923	14	119	3,056
Addition on acquisition	14,063	28,086	—	42,149
At March 31, 2012	16,986	28,100	119	45,205
Depreciation and Impairment				
At April 1, 2011	385	7	49	441
Depreciation charge for the period	233	1,439	37	1,709
At March 31, 2012	618	1,446	86	2,150
Net book values at March 31, 2012	16,368	26,654	33	43,055
Cost				
At April 1, 2012	16,986	28,100	119	45,205
Additions	—	14,760	—	14,760
Reclassifications	—	(18,092)	—	(18,092)
Foreign currency translation	120	251	5	376
At March 31, 2013	17,106	25,019	124	42,249

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	Land and buildings	Machinery & other technical facilities	Other plant and office equipment	Total
Depreciation and Impairment				
At April 1, 2012	618	1,446	86	2,150
Depreciation charge for the period	483	3,711	30	4,224
Reclassification	—	(2,798)	—	(2,798)
Foreign currency translation	19	13	4	36
At March 31, 2013	1,120	2,372	120	3,612
Net book values at March 31, 2013	15,986	22,647	4	38,637
Cost				
At April 1, 2013	17,106	25,019	124	42,249
Additions	—	2,746	—	2,746
Disposals	—	(9)	—	(9)
Reclassifications	—	398	—	398
Foreign currency translation	(210)	(1,309)	(9)	(1,528)
At March 31, 2014	16,896	26,845	115	43,856
Depreciation and Impairment				
At April 1, 2013	1,120	2,372	120	3,612
Depreciation charge for the period	521	2,882	—	3,403
Reclassification	—	3	—	3
Foreign currency translation	(40)	(99)	(8)	(147)
At March 31, 2014	1,601	5,158	112	6,871
Net book values at March 31, 2014	15,295	21,687	3	36,985

All leasing agreements have a defined minimum term of lease. Once the lease term ends, the lessor has the right to sell the leased assets at the agreed residual value. The residual values are pre-financed, making the exercise of the put option a non-monetary transaction, which also does not affect the income statement.

Lease liabilities are secured by finance lease assets as on March 2014 of k€ 36,985 (Previous Year March 2013: k€ 38,637, March 2012: k€ 43,055) (see note A.6.4.13).

A.6.4.3 Investment properties

	March 31, 2014	March 31, 2013	March 31, 2012
Cost			
At beginning of the year	12,637	12,597	12,432
Additions	—	40	165
At end of the year	12,637	12,637	12,597
Depreciation and Impairment			
At beginning of the year	1,104	798	532
Depreciation charge for the period	266	306	266
At end of the year	1,370	1,104	798
Net book values at end of the year	11,267	11,533	11,799

The fair value of investment properties as on March 2014 is k€ 11,340 (Previous year March 2013: k€11,480, March 2012: k€12,020). The fair value has been determined based on valuations performed by an accredited independent valuer for all three years.

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Future Minimum Lease receivables from Investment Properties

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Not later than one year	867	390	390
Later than one year and not later than five years	1,003	293	683
	<u>1,870</u>	<u>683</u>	<u>1,073</u>

Investment property rental income and operating expenses are:

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Rental income from rented properties, all leased under operating leases	1,102	1,104	1,105
Other operating income	103	265	201
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; and	(668)	(732)	(523)
Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period.	—	—	—
The cumulative change in fair value recognized in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used.	—	—	—
Net rental income from rented properties	<u>537</u>	<u>637</u>	<u>783</u>

A.6.4.4 Joint ventures, accounted for using the equity method

	<u>Joint Ventures</u>
Costs	
At April 1, 2011	2,120
Addition on acquisition	15,146
Share of the profits or loss of joint ventures accounted for using the equity method	1,275
Addition	—
Divestment	—
Dividend payment	—
At March 31, 2012	<u>18,541</u>
Costs	
At April 1, 2012	18,541
Addition on acquisition	—
Share of the profits or loss of joint ventures accounted for using the equity method	1,823
Addition	—
Divestment	(6,608)
Dividend payment	(600)
At March 31, 2013	<u>13,156</u>
Costs	
At April 1, 2013	13,156
Addition on acquisition	—
Share of the profits or loss of joint ventures accounted for using the equity method	3,192
Addition	1,947
Divestment	—
Dividend payment	(100)
At March 31, 2014	<u>18,195</u>

Bank borrowings are secured by Joint ventures as on March 2014 k€ 10,784 (Previous year March 2013: k€ 8,500, March 2012: k€ 15,413). (see note A.6.4.13).

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A.6.4.4.1 Joint ventures accounted for using the equity method

As per March 31, 2012 the Group and Cross Motorsport Systems AG each hold 50% in Wethje Carbon Composite GmbH and in Wethje Entwicklungs GmbH. As on end of October 2012 Wethje Group has been sold (see note A.6.1.1.2).

The following table shows the Group's share of the accounting data relevant to the joint ventures. The accounting data for financial year was taken from the annual financial statement of the companies.

Investment in Joint Ventures

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Ningbo SMR Huaxiang Automotive Mirrors Co., Ltd (NSHAM)	7,411	4,656	3,128
(including Chongqing SMR Huaxiang automotive Products Ltd) (CHSPAL)			
Eissmann SMP Automotive Interieur Slovensko s.r.o. (Eissmann)	1,947	—	—
Celulosa Fabril S.A. (CEFA)	8,837	8,500	8,892
(including Modulos Ribera Alto S.LU. (MRA))			
Wethje Group	—	—	6,521
Total	<u>18,195</u>	<u>13,156</u>	<u>18,541</u>

<u>Name of the Company</u>	<u>March 31, 2014</u>				<u>Group's share</u>
	<u>NSHAM/ CHSPAL</u>	<u>CEFA</u>	<u>MRA</u>	<u>Eissmann</u>	
<u>Group Holding %</u>	<u>50%</u>	<u>50%</u>	<u>50%</u>	<u>49%</u>	
Balance Sheet					
Non-current assets	15,078	18,565	11,877	1,574	23,531
Current assets	37,131	21,778	6,685	2,852	34,195
Gross assets	<u>52,209</u>	<u>40,343</u>	<u>18,562</u>	<u>4,426</u>	<u>57,726</u>
Current liabilities	25,491	16,262	9,048	452	25,622
Non-current liabilities	401	8,241	7,669	—	8,156
Gross liabilities	<u>25,892</u>	<u>24,503</u>	<u>16,717</u>	<u>452</u>	<u>33,778</u>
Net assets	<u>26,317</u>	<u>15,840</u>	<u>1,845</u>	<u>3,974</u>	<u>23,948</u>
Results					
Revenue	73,289	36,774	7,268	—	58,666
Expense	(67,779)	(35,611)	(7,559)	—	(55,474)
Profit for the period	5,510	1,163	(291)	—	3,192

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Name of the Company	March 31, 2013			Group's share
	NSHAM/CHSPAL	CEFA	MRA	
	50%	50%	50%	
Group Holding %				
Balance Sheet				
Non-current assets	9,587	13,585	3,643	13,407
Current assets	29,181	14,297	3,411	23,445
Gross assets	38,768	27,882	7,054	36,852
Current liabilities	21,039	8,419	2,213	15,836
Non-current liabilities	133	4,585	2,706	3,712
Gross liabilities	21,172	13,004	4,919	19,548
Net assets	17,596	14,878	2,135	17,304
Results				
Revenue	58,700	39,025	8,484	53,104
Expense	(55,645)	(38,581)	(8,339)	(51,282)
Profit for the period	3,055	444	145	1,823

Name of the Company	March 31, 2012				Group's share
	NSHAM/CHSPAL	CEFA	MRA	Wethje	
	50%	50%	50%	50%	
Group Holding %					
Balance Sheet					
Non-current assets	9,866	17,231	4,159	13,607	22,432
Current assets	22,265	12,821	3,796	7,718	23,300
Gross assets	32,131	30,052	7,955	21,325	45,732
Current liabilities	18,404	11,170	5,816	10,446	22,918
Non-current liabilities	—	557	—	4,170	2,364
Gross liabilities	18,404	11,727	5,816	14,616	25,282
Net assets	13,727	18,325	2,139	6,709	20,450
Results					
Revenue	37,672	12,314	3,066	9,150	31,101
Expense	(35,656)	(11,957)	(2,930)	(9,109)	(29,826)
Profit for the period	2,016	357	136	41	1,275

As of the reporting date, the Group had no contingent liabilities or Dividend restrictions. The contractually fixed capital liabilities in relation to the joint ventures accounted for using the equity method are:

Capital commitments	March 31, 2014	March 31, 2013	March 31, 2012
NSHAM/CHSPAL	1,527	—	—

Outstanding balances

	March 31, 2014	March 31, 2013	March 31, 2012
Receivables from Joint Ventures	148	499	694
Payables to Joint Ventures	10	122	498

A.6.4.5 Investment in Associates

During October 2011, SMR Group has entered into an agreement to acquire up to 40.6% fully paid ordinary shares in Re-Time Pty Limited (Re-Time), Australia.

Re-Time is a technology company which owns certain intellectual property rights through which it designed, developed and commercialised Re-Timer glasses, these glasses intend to reset your internal body clock and help you overcome jet lag without drug use.

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The Group has acquired its interest:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
At 1st April	426	133	—
Investment in Associate	—	258	147
Share of Profit	(48)	25	(14)
Exchange Difference	(71)	10	(0)
At 31st March	307	426	133

The following tables illustrate summarized financial information of Re-Time:

	<u>March 31, 2014</u>		<u>March 31, 2013</u>		<u>March 31, 2012</u>	
	<u>Group's share</u>	<u>Total</u>	<u>Group's share</u>	<u>Total</u>	<u>Group's share</u>	<u>Total</u>
RE-TIME balance sheet						
Non-current assets	133	326	197	486	23	116
Current assets	59	145	142	349	73	361
Gross assets	192	471	339	835	96	477
Current liabilities	7	18	71	174	27	136
Non-current liabilities	—	—	—	—	—	—
Gross liabilities	7	18	71	174	27	136
Net assets	185	453	268	661	69	341
RE-TIME results						
Revenue	234	576	249	613	—	—
Expense	186	459	224	552	14	68
(Loss) for the period	(48)	(117)	25	61	(14)	(68)

A.6.4.6 Other financial instruments

	<u>March 31, 2014</u>		<u>March 31, 2013</u>		<u>March 31, 2012</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Cross Currency Swap	22	1,051	424	584	286	—
Other Financial investments	10	—	5	—	5	—
Less: Non Current Portion	24	810	276	450	5	—
Current Portion	8	241	153	134	286	—

The maximum exposure to the credit risk is carrying value of instruments. The notional principal amounts of the outstanding forward foreign exchange contracts as on March 2014 is k€ 12,160 (Previous Year March 13: k€ 15,158, March 2012: k€ 7,064)

A.6.4.7 Inventories

Inventories comprise the following:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Raw materials and manufacturing supplies	88,505	91,049	93,746
Work in progress	19,005	19,981	21,172
Finished goods and goods for trading	39,253	35,121	32,516
	146,763	146,151	147,434

The additional impairments during 2013-14 amount of k€ 2,770 (Previous Year 2012-13: k€ 1,940, 2011-12: k€ 2,967).

Reversals of impairment during 2013-14 amount of k€ 475 (Previous Year 2012-13: k€ 1,216, 2011-12: k€ 974). The corresponding income statement line item is "Cost of materials". The amounts of the impairments are calculated based on an analysis of various factors. The most important factors included in this analysis are: aging of inventories, current market conditions and turnover of individual items. Bank borrowings are secured by inventories as on March 2014 of k€ 101,217 (Previous Year March 13: k€ 97,829, March 2012: k€ 102,761) (see note A.6.4.13).

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All amounts in Euro'000, unless otherwise stated

A.6.4.8 Trade receivables, tax receivables and other receivables

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Non Current			
Non Current Investments/Others	128	125	80
Trade receivables (third parties)	16,753	14,151	15,906
Deposits	684	1,143	1,677
Prepaid expenses	4,659	1,403	2,025
(a)	22,224	16,822	19,688
Current			
Trade receivables (third parties)	403,829	410,358	407,150
Trade receivables from companies accounted for using the equity method and related parties	2,286	1,925	1,519
(b)	406,115	412,283	408,669
Tax receivables			
Income tax receivables	309	251	857
Other receivables			
Other tax receivables	10,638	13,746	14,802
Deposits	1,850	1,812	2,102
Prepaid expenses	6,456	14,410	11,088
Advanced payments	9,332	6,176	14,199
Supplier bonus	3,676	1,911	2,381
Other	16,080	10,683	10,002
(d)	48,032	48,738	54,574
Total (a+b+c+d)	476,680	478,094	483,788

The carrying amount of the non current trade receivables is calculated using discount rates of 1.5%, 1.8% and 2% as on March 2014 (Previous year March 2013: 1.875% and 2.0%, March 2012: 2.0%).

Other tax receivables mainly comprise receivables from input VAT.

The carrying values approximately correspond to the fair values. Trade receivables were reported with impairments deducted as on March 2014 amounting to k€ 5,837 (Previous Year March 2013: k€ 6,063, March 2012: k€ 7,114). The impairments are reported in the income statement under the item “Other operating expenses”.

A.6.4.8.1 Construction Contracts

The net position of constructions contracts and amount due to/from customers for contract work comprises the following:

	<u>Year ended March 31, 2014</u>	<u>Year ended March 31, 2013</u>	<u>Year ended March 31, 2012</u>
Construction contracts in progress			
The aggregate costs incurred and recognized profits (less recognized losses) to date	137,978	111,815	76,563
Less: Progress billings	25,489	17,658	12,818
Net balance sheet position for ongoing contracts	112,489	94,157	63,745
Construction contracts			
Contract revenue	206,766	189,219	109,329
Contract costs	200,594	183,114	100,345
Gross profit	6,172	6,105	8,984

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

<u>Construction contracts</u>	<u>Year ended March 31, 2014</u>	<u>Year ended March 31, 2013</u>	<u>Year ended March 31, 2012</u>
Amounts due from customers for contract work	121,783	103,966	70,492
Advance from customers for contract work	5,882	6,986	1,492

A.6.4.9 Cash and cash equivalents

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Cash at bank	85,578	58,678	45,003
Cash in hand	123	209	220
	85,701	58,887	45,223

According to the Non-recourse Facility Agreement, minimum cash at bank has to amount to k€ 1,484 as on March 2014 (Previous year March 2013: k€ 1,484, March 2012: k€ 2,339)

Bank borrowings are secured by cash and cash equivalents as on March 2014 of k€ 14,088 (Previous year March 2013: k€ 9,454, March 2012: k€ 17,450)

A.6.4.10 Invested Capital

The invested capital comprises of share capital, share premium and retained earnings of SMR Group and SMRBV Group.

A.6.4.11 Provision for pension liabilities

SMRBV Group mainly operates a defined benefit pension plan in Germany based on employee pensionable remuneration and length of service. The plan is unfunded. The pension plan is closed since 2004. That means that as of this date it was not possible for new members to join the plan.

SMR Group has various defined benefit plans, which consider final salary as well as average salary components in order to determine the benefits for the pensioners. Different pension plans are operated by the Group in UK, Germany, Mexico and South Korea. The schemes in the UK and South Korea are administered by separate trust funds.

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
As at beginning of the year	22,631	18,537	16,329
Current service cost	2,795	3,892	1,223
Interest Expense / (Income)	920	920	894
Benefits paid	(1,070)	(764)	(2,241)
Curtailement / settlement loss	21	219	—
Settlement benefit payment	—	(2,852)	—
Actuarial (gains) or losses	91	2,549	2,214
Foreign currency differences	(309)	129	118
As at end of the year	25,079	22,630	18,537
	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Re-measurements:			
- Return on plan assets, excluding amounts included in interest exp/(income)	776	(996)	(1,443)
- (Gain)/loss from change in demographic assumptions	(3)	(14)	(124)
- (Gain)/loss from change in financial assumptions	(82)	2,522	1,738
- Experience (gains)/losses	173	16	599
- Change in asset ceiling, excluding amounts included in interest exp.	(871)	158	678
Total	(7)	1,686	1,448

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

The amounts recognized in the income statement for three years are analyzed as follows:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Recognized in the income statement			
A. Recognized in arriving at operating result			
Current service cost	2,795	3,892	1,223
The effect of any curtailment of settlement	21	219	—
Running Costs	101	—	—
Net benefit expense	<u>2,917</u>	<u>4,111</u>	<u>1,223</u>
B. Other finance costs / Income			
Interest income on scheme assets	(852)	(585)	(793)
Effect of limitation of plan assets	255	—	238
Interest costs on scheme liabilities	919	920	893
Other finance costs (net)	<u>322</u>	<u>335</u>	<u>338</u>

The pension provisions correspond to each of the defined-benefit obligations at their present value.

The expenses are reported under the item “Financial expenses” (under “Interest expenses on defined benefit obligations”) and “Personnel expenses” (under “Defined-benefit plan expenses”).

The amounts taken to the Statement of Comprehensive Income are as follows:

The assets and liabilities of the schemes are:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Scheme assets at fair value			
Equities	2,678	2,378	1,998
Bonds and gilts and others	16,657	15,712	14,380
Cash	122	54	83
Fair value of scheme assets	<u>19,457</u>	<u>18,144</u>	<u>16,461</u>
Defined Benefit Obligation	<u>25,079</u>	<u>22,630</u>	<u>18,537</u>
Thereof funded	17,294	15,293	13,357
Thereof unfunded	7,785	7,337	5,180
Funding status - deficit / (surplus)	<u>5,622</u>	<u>4,486</u>	<u>2,076</u>
Amount not recognized because of the limitation of assets	<u>4,919</u>	<u>5,503</u>	<u>5,111</u>
Defined benefit pension plan deficit	<u>10,541</u>	<u>9,989</u>	<u>7,187</u>

Changes in the fair value of plan assets are analyzed as follows:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
As at beginning of the year	18,144	16,461	14,834
Return on plan assets	853	585	793
Contributions made by the Group	1,984	1,440	538
Benefits paid	(551)	(507)	(1,169)
Running Cost	(101)	—	—
Actuarial gains / (losses) on plan assets	(774)	1,286	1,444
Settlement benefit paid by Insurance Contract	—	(1,110)	—
Foreign currency differences	(98)	(11)	21
As at end of the year	<u>19,457</u>	<u>18,144</u>	<u>16,461</u>

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

Pension provisions are calculated on the basis of assumptions. The most significant actuarial assumptions were as follows:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Actuarial assumptions			
Rate of salary increases	2% - 7.5%	2% - 7.5%	3.5% - 4.5%
Rate of increase in pension	1.75%	1.8% - 3.3%	1.8% - 3.2%
Mortality Table	—	—	—
Discount rate	2.8% - 9.07%	2.8% - 8.3%	4.1% - 5.5%

The amounts recorded in the balance sheet as a provision for pensions developed as follows:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
As at beginning of the year	9,989	7,187	5,715
Expense recorded in the year	3,237	4,446	1,561
Benefits paid	(226)	(257)	(1,054)
Contributions made by the Group	(1,984)	(1,440)	(538)
Amount recognized in Combined Statement of Comprehensive			
Income	(7)	1,686	1,449
Liability extinguished on sale of business	—	—	—
Settlement	—	(1,742)	—
Termination and benefit paid during the financial year	(293)	—	(17)
Foreign currency differences	(175)	109	71
As at end of the year	10,541	9,989	7,187
Thereof recorded as a provision	10,541	9,989	7,187

Sensitivity of the Defined Benefit Obligation

As on March 31, 2014

	<u>Impact on defined benefit obligation</u>		
	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
Discount rate	0.50%	(1,812)	2,053
Salary growth rate	0.50%	381	(370)
Pension growth rate	0.50%	1,318	(1,194)
		<u>Increase by 1 year in assumption</u>	<u>Decrease by 1 year in assumption</u>
Life expectancy		607	(614)

Expected contributions to post-employment benefit plans for the year ending March 31, 2014 are k€ 3,048.

The effects of the limitation of recognition of return on plan assets result from the closure of the UK Pension plan. Under IAS 19, the pension asset which can be recognized on the balance sheet is limited to the extent that it is recoverable by the Company through reduced contributions for future pensionable service and agreed refunds. Given that no refunds have been agreed and as no future service benefits or contributions are currently expected, the maximum asset that can be recognized has been limited to the extent of pension obligation recognized.

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All amounts in Euro'000, unless otherwise stated

A.6.4.12 Other provisions

	Warranties	Site Restoration	Onerous contract	Personnel related	Other	Total
At April 1, 2011	5,283	—	3,065	781	2,774	11,903
Addition on acquisition	1,759	—	640	—	993	3,392
Arising during the year	4,909	550	—	413	519	6,391
Utilized	(4,421)	—	(640)	(285)	(1,881)	(7,227)
Unwinding of discounts	—	—	—	—	—	—
Reversal of unused amounts	(36)	—	(3,065)	(592)	(984)	(4,677)
Foreign currency differences	158	—	—	7	9	174
At March 31, 2012	7,652	550	0	324	1,430	9,956
Current	6,770	550	(0)	324	565	8,209
Non-current	882	—	—	—	865	1,747
	7,652	550	(0)	324	1,430	9,956
At April 1, 2012	7,652	550	0	324	1,430	9,956
Arising during the year	5,023	—	—	2,848	346	8,217
Utilized	(5,186)	(315)	—	(2,807)	(219)	(8,527)
Unwinding of discounts	—	—	—	—	—	—
Reversal of unused amounts	(146)	—	—	—	(45)	(191)
Foreign currency differences	122	15	—	29	(52)	114
At March 31, 2013	7,465	250	0	394	1,460	9,569
Current	6,805	250	(0)	394	434	7,883
Non-current	660	—	—	—	1,026	1,686
	7,465	250	(0)	394	1,460	9,569
At April 1, 2013	7,465	250	0	394	1,460	9,569
Arising during the year	8,531	267	—	—	1,195	9,993
Utilized	(5,322)	(285)	—	(416)	(174)	(6,197)
Unwinding of discounts	—	—	—	—	—	—
Reversal of unused amounts	(28)	—	—	—	—	(28)
Foreign currency differences	(360)	(27)	—	22	(172)	(537)
At March 31, 2014	10,286	205	0	(0)	2,309	12,800
Current	9,032	205	—	—	1,180	10,417
Non-current	1,254	—	—	—	1,129	2,383
	10,286	205	—	—	2,309	12,800

Warranties

A provision is recognized for expected warranty claims on products previously, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for all products sold.

Site Restoration

Site restoration represents cost of removing the asset and/or restoring the site.

Onerous contracts

Onerous contracts represent management's best estimate of the amount by which the expected benefits from certain specific contracts are lower than the unavoidable cost of meeting its obligations under those contracts. The time frame within which such provisions will unwind varies by contract.

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Personnel related provisions

Personnel related provisions mostly comprise accruals for miscellaneous employee cost.

A.6.4.13 Financial liabilities

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Non-current financial liabilities			
Liabilities to bank	246,842	196,598	126,326
Finance lease liabilities	<u>19,715</u>	<u>24,408</u>	<u>17,679</u>
Total non-current financial liabilities	<u>266,557</u>	<u>221,006</u>	<u>144,005</u>
Current financial liabilities			
Liabilities to bank	157,602	313,027	351,984
Finance lease liabilities	<u>7,567</u>	<u>6,847</u>	<u>7,464</u>
Total current financial liabilities	<u>165,169</u>	<u>319,874</u>	<u>359,448</u>

Liabilities to banks mainly comprise the € 190 million Acquisition Facility Agreement mainly for the financing of the acquisition of Peguform Group as well as the € 180 million Non-recourse Facility Agreement for the financing of the operating business of the SMRBV Group.

The liabilities to banks include secured liabilities to banks of k€ 343,809 (Previous Year March 2013: k€ 423,325, March 2012: k€ 431,674) as well as secured finance lease liabilities as on March 2014 of k€ 27,282 (Previous Year March 2013: k€ 31,255, March 2012: k€ 25,143). Liabilities to banks are secured by Intangible Assets, Property, plant and equipment, joint venture, inventory, trade receivables as well as cash and cash equivalents (see note A.6.4.1, A.6.4.2, A.6.4.4, A.6.4.7, A.6.4.8, A.6.4.9), finance lease are secured by land and buildings as well as technical plant and machinery (see note A.6.4.2). The interest rate for the main bank loans are calculated based on the development of the 3months Euribor/Libor plus spreads of 2.4% to 4.0%. Since the interest rates are variable, the fair value of these loans approximately equals their carrying amount. The average interest rate of the bank loans are about 4.0% - 5.2% for March 2014 (March 2013: 3.94% - 5.17%, March 2012: 4.0% - 5.2%). The internal interest rate of the finance lease moves between 5.9% & 7.25% for March 2014 (March 2013: 3.0% & 7.2%, March 2012: 3.0% & 7.2%)

For maturity profile of liabilities to bank and finance lease liabilities see note A.6.7.4.

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The details of financial liabilities outstanding at year end are as follows:

As at March 31, 2014

<u>Particulars</u>	<u>Loan Amount</u>	<u>Interest Rates</u>	<u>Current</u>	<u>Non Current</u>	<u>Maturity</u>
Term Loans:	7,182	Libor+3.5%	3,591	3,591	06-Jan-16
	9,024	Libor+2.40%	4,011	5,013	20-Mar-16
	8,420	Libor+2.60%	2,406	6,014	07-Aug-17
	15,000	Euribor+3.50%	3,750	11,250	14-Aug-17
	4,962	CDI+4%	1,220	3,742	05-Feb-16
**	2,273	MLR-1.25%	2,273	—	31-May-17
**	754	MLR-1.25%	754	—	28-Feb-18
	6,536	Libor+2.5%	—	6,536	25-Sep-15
	1,660	5.39%	390	1,270	25-Sep-18
	830	5.42%	151	679	10-Dec-19
	509	3.79%	—	509	30-Jun-15
	21,916	Libor+3.25%	5,844	16,072	22-Nov-16
	13,930	Libor+3.5%	5,018	8,912	22-Nov-16
	36,311	Libor+4%	—	36,311	22-Nov-16
	47,273	Libor+3.25%	12,707	34,566	22-Nov-16
	32,941	Libor+4%	11,222	21,719	22-Nov-16
	22,986	3MEuribor+3.9%	—	22,986	17-Oct-21
	56,058	3MEuribor+3.75%	12,000	44,058	22-Nov-17
	27,200	1/3M-Euribor+3.55%	27,200	—	22-Nov-16
	182	3MEuribor+3.75%	—	182	22-May-15
	68	Interest Payable	68	—	22-May-14
	21,869	3MEuribor+3.75%	4,800	17,069	22-Nov-17
	578	0%	578	—	06-June-2096
	656	4.87%~ 5.37%	—	656	30-Jun-26
	2,419	6.50%	1,268	1,151	28-Feb-16
	3,411	3.95%	—	3,411	31-Jul-26
Liabilities from Factoring arrangement	8,668	Varied	8,668	—	Varied
Working capital loans	50,828	Varied	49,683	1,145	On Demand
	<u>404,444</u>		<u>157,602</u>	<u>246,842</u>	

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All amounts in Euro'000, unless otherwise stated

As at March 31, 2013

Particulars	Loan Amount	Interest Rates	Current	Non Current	Maturity
Term Loans:	11,678	Libor+3.5%	3,961	7,717	06-Jan-16
	15,654	Libor+2.40%	4,874	10,780	20-Mar-16
	9,133	Libor+2.60%	1,177	7,956	07-Aug-17
	20,035	Libor+3.5%	20,035	—	25-Aug-13
	5,319	CDI+4%	1,124	4,195	05-Feb-16
**	3,500	MLR-1.25%	3,500	—	31-May-17
	6,486	Euribor+2.25%	1,814	4,672	15-Aug-16
	7,154	Libor+2.5%	—	7,154	25-Sep-15
	1,913	0.0539	260	1,653	25-Sep-18
	964	0.0542	143	821	10-Dec-19
	27,967	Libor+3.25%	4,709	23,258	22-Nov-16
	29,863	Libor+3.5%	7,536	22,327	22-Nov-16
	60,782	Libor+3.25%	10,238	50,544	22-Nov-16
	64,759	Libor+3.5%	16,348	48,411	22-Nov-16
*	67,548	3MEuribor+3.75%	67,548	—	22-Nov-17
	58,890	1/3MEuribor+3.55%	58,890	—	22-Nov-16
*	26,165	3MEuribor+3.75%	26,165	—	22-Nov-17
	699	0%	699	—	06-Jun-2096
	608	4.87%~5.37%	—	608	30-Jun-26
	3,601	3.95%	81	3,520	30-Jun-25
Liabilities from Factoring arrangement	21,940	Varied	21,940	—	Varied
Working capital loans	64,967	Varied	61,985	2,982	On Demand
	509,625		313,027	196,598	

As at March 31, 2012

Particulars	Loan Amount	Interest Rates	Current	Non Current	Maturity
Term Loans:	5,508	Libor+5.0%	5,508	—	14-Sep-12
	5,686	CDI+4%	—	5,686	05-Feb-16
	10,052	Libor+3.5%	10,052	—	23-Aug-12
	14,956	Libor+3.5%	14,956	—	06-Jan-16
	18,843	Libor+3.25%	3,620	15,223	20-Mar-16
	19,961	Libor+3.5%	19,961	—	25-Aug-13
	3,566	MLR-1.25%	432	3,134	31-May-17
	8,236	Euribor+2.25%	1,750	6,486	15-Aug-16
	1,906	5.39%	—	1,906	25-Sep-18
	399	5.33%	—	399	30-May-13
*	31,047	5.22%	31,047	—	22-Nov-17
*	76,748	3M Euribor+3.75%	76,748	—	22-Nov-17
	60,000	1/3M Euribor+3.55%	60,000	—	22-Nov-16
*	29,772	Libor+3.25%	29,772	—	22-Nov-16
	28,584	Libor+3.25%	—	28,584	22-Nov-16
*	64,701	Libor+3.25%	64,701	—	22-Nov-16
	61,979	Libor+3.25%	—	61,979	22-Nov-16
	15	Agency Fees	15	—	22-Nov-16
	667	0%	667	—	06-June-2096
	385	5.37%	—	385	30-Jun-26
	2,025	—	370	1,655	31-Jul-26
Liabilities from Factoring arrangement	5,678	Varied	5,678	—	Varied
Working capital loans	27,596	Varied	26,707	889	OnDemand
	478,310		351,984	126,326	

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All amounts in Euro'000, unless otherwise stated

The Group has financial covenants requirements (see note A.7.4), which all have been met with the exception of following:

- * SMP Ibérica regarding the Net Debt to EBITDA ratio as per NRFA facility as on March 31, 2012 and March 31, 2013, for which a waiver was obtained from the banks dated April 9, 2012 and April 12, 2013. Therefore non-current borrowing as on March 31, 2013 of k€ 76,912 (Previous Year March 31, 2012: k€ 177,294) has been classified under current borrowings.
- ** SMR Automotive System (Thailand) Limited regarding Debt Service Coverage Ratio (DSCR) as per facility as on March 31, 2013 and March 31, 2014. Therefore non-current borrowing as on March 31, 2014 of k€ 3,027 (Previous Year March 31, 2013: k€ 3,500) has been reclassified under current borrowings.

A.6.4.14 Liabilities to related parties

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Non Current			
Liabilities to related parties	43,806	20,299	2,750
	43,806	20,299	2,750
Current			
Liabilities to related parties	24,321	14,306	24,369
	24,321	14,306	24,369

For details on related party transaction see note A.6.7.6.

The interest rates of loans from related parties are based on 3M-6M Euribor/Libor plus spread of 2.6% to 4.0% for March 2014 (March 2013: 2.6% to 4.0%, March 2012: 2.6% to 3.25%).

A.6.4.15 Trade payables, liabilities out of contract work, tax liabilities and other liabilities

		<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Non Current				
Accrual for Price Differences		16,278	13,037	10,359
Advance received from Customers		372	446	617
Redemption liability put/call option		—	—	35,000
Liabilities towards employees		2,113	1,679	4,365
Others		5,718	6,432	6,284
	(a)	24,481	21,594	56,625
Current				
Trade Payables	(b)	399,649	355,056	374,940
Income Tax Liabilities	(c)	18,080	13,208	9,945
Other Liabilities				
Advance received from Customers		19,825	8,162	1,907
Liabilities towards employees		48,158	46,573	42,032
Other Tax Liabilities		31,451	32,176	33,415
Social security		1,716	1,901	1,671
Accrual for Price Differences		15,632	19,064	14,101
Accruals		9,154	7,301	2,874
Redemption Liability put/call option		28,067	28,424	—
Others		10,770	8,382	8,742
	(d)	164,773	151,983	104,742
Total (a+b+c+d)		606,983	541,841	546,252

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Liabilities out of contract work contains outstanding invoices from suppliers for contract work for customers as well as outstanding work to be performed with respect to engineering contracts charged to the OEM after acceptance.

Liabilities towards other taxes mainly comprise liabilities from VAT.

For disclosures on the redemption liability put/call-Option we refer to note A.6.2.3 and A.6.3.

A.6.5 Disclosures regarding the combined income statement

A.6.5.1 Revenues

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Sale of products	2,790,164	2,602,916	1,368,362
Sale of tooling	206,766	189,219	109,329
Total Sales	<u>2,996,930</u>	<u>2,792,135</u>	<u>1,477,691</u>

A.6.5.2 Changes in inventories

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Opening stock of finished goods	35,121	32,517	29,615
work-in-progress	19,981	21,172	20,649
Less: closing stock of finished goods	(39,253)	(35,121)	(32,516)
work-in-progress	(19,005)	(19,981)	(21,172)
Effects of foreign exchange translation	74	(113)	(92)
	<u>(3,082)</u>	<u>(1,526)</u>	<u>(3,516)</u>

A.6.5.3 Other operating income

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Income from unwinding of onerous contract*	—	—	3,065
Subsidies /Income from investment Grants	3,825	3,965	2,705
Income from development work and other recoveries from Customers	13,703	11,732	4,357
Rental income	1,415	1,394	1,118
Royalty income	2,050	1,926	1,512
Gain from the sale of property, plant and equipment and Intangible assets	58	992	317
Provisions written back/Gain on reversal of bad debt allowance	3,458	3,354	2,347
Release of badwill**	—	—	35,599
Income from de-recognition of liabilities	17,004	10,105	8,211
Other Income***	24,745	4,743	4,540
TOTAL	<u>66,258</u>	<u>38,211</u>	<u>63,771</u>

* During 2011-12, Income from unwinding of onerous contract for k€ 3,065 at SMR Group was non-recurring in nature.

** During 2011-12, release of badwill at SMRBV Group of k€ 35,599 was non-recurring in nature and relates to the acquisition of Peguform Group as on November 23, 2011 (see note A.6.3).

*** Other Income during 2013-14 includes insurance proceeds for fire at Polinya plant of k€ 17,426 to recover the fixed costs which are included under other operating expenses of k€ 15,588.

A.6.5.4 Cost of materials

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Raw Material	1,978,013	1,871,719	994,245
Total Cost of Materials	<u>1,978,013</u>	<u>1,871,719</u>	<u>994,245</u>

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A.6.5.5 Personnel expenses

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Wages and salaries	415,499	397,547	216,611
Paid labor rendered by third parties	81,222	81,606	37,813
Social security costs	71,827	66,025	28,018
Pensions costs from defined benefit plans	2,917	4,111	1,223
	<u>571,465</u>	<u>549,289</u>	<u>283,665</u>

The number of employees (headcounts) was as follows:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
	No's.	No's.	No's.
Non Production Personnel	5,389	4,957	4,799
Production Personnel	12,743	12,211	11,318
Total	<u>18,132</u>	<u>17,168</u>	<u>16,117</u>

A.6.5.6 Depreciation and amortization

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Depreciation of property, plant and equipment	77,021	69,695	29,793
Amortization of intangible assets	9,340	9,672	3,234
	<u>86,361</u>	<u>79,367</u>	<u>33,027</u>

A.6.5.7 Other operating expenses

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
General administration expenses*	114,314	89,953	63,988
Energy	53,738	53,062	25,742
Repairs and maintenance	52,204	51,125	33,547
Rent and lease	32,518	31,592	15,443
Freight and forwarding	31,035	32,168	20,295
Bad debts/advances written off	730	404	1,151
Auditors remuneration	4,151	4,034	2,961
Net foreign exchange loss	1,132	5,482	1,617
Legal and professional expenses	21,528	19,051	16,486
TOTAL	<u>311,350</u>	<u>286,871</u>	<u>181,230</u>

* Expenses during March 2014 includes k€ 15,588 to recover the fixed assets due to fire at Polinya Plant.

A.6.5.8 Financial costs and income

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Interest Income	1,390	1,067	1,174
Foreign exchange gain	15,141	—	—
Total finance income	<u>16,531</u>	<u>1,067</u>	<u>1,174</u>
Interest expenses finance leases	1,501	1,584	735
Foreign exchange loss	—	9,053	5,093
Interest expense on borrowings	28,076	28,590	13,721
Interest expense on defined benefit obligations	919	920	893
Total finance cost	<u>30,496</u>	<u>40,147</u>	<u>20,442</u>

Foreign exchange gain / loss contain amounts from the revaluation of foreign currency financial liabilities.

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A.6.5.9 Share of the profits or loss of joint ventures accounted for using the equity method

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Share of after-tax profits/(losses) of joint venture accounted for under the equity method	3,192	1,823	1,275

Section A.6.4.4 contains further details related to the participation in joint ventures.

A.6.5.10 Share of the profits or loss of associates accounted for using the equity method

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Share of after-tax profits/(losses) of associate accounted for under the equity method	(48)	25	(14)

Section A.6.4.5 contains further details related to the participation in associates.

A.6.6 Income taxes

Deferred income taxes are calculated using the balance-sheet based liability method. Deferred tax assets and liabilities are recognized for all temporary differences between the carrying amount of an asset or liability and the values used for taxation purposes. Deferred tax assets are also recognized for tax-loss carry forwards to the extent it is probable that future taxable profits will be available. For this reason, the recognition of all deferred tax assets based on tax losses is carried out with suitable consideration given to their realization. Deferred taxes are determined on the basis of tax rates that are applicable or can be expected at the time of the realization of the gain.

The income tax credit/expense for the three years comprises the following:

	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
Current Year	(32,577)	(24,844)	(11,441)
Prior year adjustments	893	750	746
Current Tax expense	(31,684)	(24,094)	(10,695)
Development and reversal of temporary differences	3,132	3,781	(940)
Current deferred tax (expense)/credit	3,132	3,781	(940)
Total income taxes	(28,552)	(20,313)	(11,635)

There is no significant change in corporate tax rates, in jurisdictions where group operates, having material impact on current charge and future adjustment to the carrying amounts of assets and liabilities.

The following reconciliation statement for the Group summarizes the reconciliation of each of the companies prepared using the tax rate of the relevant countries taking consolidation measures into consideration. This enabled the expected tax expense to be reconciled with the effective tax expense reported.

	<u>Year ended March 31, 2014</u>	<u>Year ended March 31, 2013</u>	<u>Year ended March 31, 2012</u>
Reconciliation of the effective tax rate			
Earnings before income tax	108,260	7,395	34,804
Tax on profit	(25,376)	(3,496)	(4,612)
Unrecognized Tax Losses	(9,473)	(16,794)	(7,968)
Utilization of tax losses carry forward / Tax Credit	1,593	2,584	3,986
Prior year adjustments	893	750	746
Non-deductible expenses and non taxable income	5,420	(743)	(3,595)
Withholding Tax	(629)	(1,713)	—
Other	(980)	(901)	(192)
Income Tax Expense	(28,552)	(20,313)	(11,635)

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Tax calculated at domestic tax rates applicable in the respective countries. The weighted average applicable tax rate was 23% for 2013 - 14 (Previous Years 2012-13: 47%, 2011-12: 13%). The movement in weighted average tax rate is mainly on account of variation in profitability of the Group's subsidiaries in the respective countries.

Capitalized deferred tax assets and deferred tax liabilities have been allocated to individual items as per the following table:

	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012
Deferred Tax Assets			
Provisions	6,443	4,003	4,358
Property, plant and equipment	460	1,230	2,392
Receivable / Accruals	1,510	4,635	3,192
Inventories	1,030	263	1,794
Assets under finance lease	—	—	—
Tax Value of Reported Loss carry forwards	1,861	1,451	6,292
Others	3,537	2,459	—
Total	14,841	14,041	18,028
Deferred Tax Liability			
Property, plant and equipment (PPE) and Intangible assets	44,546	48,006	53,716
Others	4,888	3,367	5,918
Total	49,434	51,373	59,634

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012
Deferred tax assets:			
- Deferred tax assets to be recovered after 12 months	11,830	12,190	15,908
- Deferred tax assets to be recovered within 12 months	3,011	1,851	2,120
	14,841	14,041	18,028
Deferred tax liabilities:			
- Deferred tax liabilities to be recovered after 12 months	48,543	50,464	57,229
- Deferred tax liabilities to be recovered within 12 months	891	909	2,405
	49,434	51,373	59,634

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	PPE and intangibles	Others	Total
At April 1, 2011	10,923	2,109	13,032
Addition on acquisition	40,459	4,001	44,460
Charged/(credited) to the income statement	2,110	(212)	1,898
Exchange differences	224	20	244
At March 31, 2012	53,716	5,918	59,634
Charged/(credited) to the income statement	(5,495)	(2,609)	(8,104)
Exchange differences	(215)	58	(157)
At March 31, 2013	48,006	3,367	51,373
Charged/(credited) to the income statement	(3,078)	1,513	(1,565)
Exchange differences	(382)	8	(374)
At March 31, 2014	44,546	4,888	49,434

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<u>Deferred tax assets</u>	<u>Retirement benefit obligation</u>	<u>Tax Losses</u>	<u>Other</u>	<u>Total</u>
At April 1, 2011	169	2,034	4,741	6,944
Addition on acquisition	—	4,274	4,972	9,246
(Charged)/credited to the income statement	329	(109)	739	959
(Charged)/credited to other comprehensive income	295	—	—	295
Exchange differences	1	87	496	584
At March 31, 2012	794	6,286	10,948	18,028
(Charged)/credited to the income statement	(666)	(3,458)	(199)	(4,323)
(Charged)/credited to other comprehensive income	330	—	—	330
Exchange differences	16	124	(134)	6
At March 31, 2013	474	2,952	10,615	14,041
(Charged)/credited to the income statement	(501)	1,019	1,049	1,567
(Charged)/credited to other comprehensive income	86	—	—	86
Exchange differences	(100)	(303)	(450)	(853)
At March 31, 2014	(41)	3,668	11,214	14,841

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The group did not recognize deferred income tax assets of k€ 76,387 (Previous Year March 2013: k€ 71,681, March 2012: k€ 53,063) in respect of losses amounting to k€ 331,287 (Previous Year March 2013: k€ 309,410, March 2012: k€ 235,387) that can be carried forward against future taxable income. Losses amounting to k€ 9,704 expire in 2014-15 and 2015-16 respectively.

Deferred income liabilities have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of k€ 83,024 as on March 31, 2014 (Previous Year March 31, 2013: k€ 30,445 March 31, 2012: k€ 60,720) of subsidiaries, joint ventures and associates.

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A.6.7 Other disclosures

A.6.7.1 Financial instruments

The following table shows the carrying amounts and fair values of the Group's financial instruments

Financial instruments	Category according to IAS 39	Carrying Amt. March 31, 2014	Measurement according to IAS 39		Fair Value March 31, 2014	Not in Scope
			Amortized cost	At fair value		
Assets						
Other investments	Afs	138	20	118	138	—
Trade receivables	LaR	420,583	420,583	—	420,583	—
Receivables from joint ventures and related parties	LaR	2,287	2,287	—	2,287	—
Other receivables	LaR	23,457	23,457	—	23,457	29,918
Derivative Financial Instruments	FVPL	22	—	22	22	—
Cash and cash equivalents	LaR	85,701	85,701	—	85,701	—
Liabilities						
Interest bearing loans and borrowings - non-current						
Liabilities to banks	FLAC	246,842	246,842	—	246,842	—
Finance lease liabilities	FLAC	19,715	—	—	19,715	—
Liabilities to related parties - non-current	FLAC	43,806	43,806	—	43,806	—
Interest bearing loans and borrowings - current						
Liabilities to banks	FLAC	157,603	157,603	—	157,603	—
Finance lease liabilities	FLAC	7,567	—	—	7,567	5,497
Trade payables	FLAC	399,649	374,184	—	399,649	—
Liabilities to joint ventures and related parties - current	FLAC	24,321	24,321	—	24,321	—
Derivative Financial Instruments	FVPL	1,051	—	1,051	1,051	—
Other liabilities	FLAC	135,896	135,896	—	135,896	71,442
Thereof: aggregated by category according to IAS 39						
Loans and Receivables (LaR)		532,028	532,028	—	532,028	29,918
Available-for-Sale Financial Assets (Afs)		138	20	118	138	—
Financial liabilities carried at fair value through profit or loss (FVPL)		1,073	—	1,073	1,073	—
Financial liabilities measured at amortized cost (FLAC)		1,035,399	982,652	—	52,747	1,027,799
						71,442

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	Category according to IAS 39	Carrying Amt. March 31, 2013	Measurement according to IAS 39		Fair Value March 31, 2013	Not in Scope
			Amortized cost	At fair value		
Financial instruments						
Assets						
Other investments	Afs	130	48	82	130	—
Trade receivables	LaR	424,509	424,509	—	424,509	—
Receivables from joint ventures and related parties	LaR	1,925	1,925	—	1,925	—
Other receivables	LaR	21,330	21,330	—	21,330	29,953
Derivative Financial Instruments	FVPL	424	—	424	424	—
Cash and cash equivalents	LaR	58,887	58,887	—	58,887	—
Liabilities						
Interest bearing loans and borrowings - non-current						
Liabilities to banks	FLAC	196,598	196,598	—	196,598	—
Finance lease liabilities	FLAC	24,408	—	—	24,408	—
Liabilities to related parties - non-current	FLAC	20,299	20,299	—	20,299	—
Interest bearing loans and borrowings - current						
Liabilities to banks	FLAC	313,027	313,027	—	313,027	—
Finance lease liabilities	FLAC	6,847	—	—	6,847	—
Trade payables	FLAC	355,056	328,517	—	26,539	—
Liabilities to joint ventures and related parties - current	FLAC	14,306	14,306	—	—	—
Derivative Financial Instruments	FVPL	584	—	584	584	—
Other liabilities	FLAC	132,285	132,285	—	132,285	54,501
Thereof: aggregated by category according to IAS 39						
Loans and Receivables (LaR)		506,651	506,651	—	506,651	29,953
Available-for-Sale Financial Assets (Afs)		130	48	82	130	—
Financial liabilities carried at fair value through profit or loss (FVPL)		1,007	—	1,007	1,007	—
Financial liabilities measured at amortized cost (FLAC)		1,062,826	1,005,032	—	57,794	1,051,852
						54,501

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	Category according to IAS 39	Carrying Amt. March 31, 2012	Measurement according to IAS 39		Fair Value March 31, 2012	Not in Scope
			Amortized cost	At fair value		
Financial instruments						
Assets						
Other investments	Afs	85	80	5	85	—
Trade receivables	LaR	423,056	423,056	—	423,056	—
Receivables from joint ventures and related parties	LaR	1,519	1,519	—	1,519	—
Other receivables	LaR	21,857	21,857	—	21,857	36,419
Derivative Financial Instruments	FVPL	286	—	286	286	—
Cash and cash equivalents	LaR	45,223	45,223	—	45,223	—
Liabilities						
Interest bearing loans and borrowings - non-current						
Liabilities to banks	FLAC	126,325	126,325	—	126,325	—
Finance lease liabilities	FLAC	17,679	—	—	17,679	—
Liabilities to related parties - non-current	FLAC	2,750	2,750	—	2,750	—
Interest bearing loans and borrowings -current						
Liabilities to banks	FLAC	351,984	351,984	—	351,984	—
Finance lease liabilities	FLAC	7,464	—	—	7,464	—
Trade payables	FLAC	374,940	337,126	—	374,940	—
Liabilities to joint ventures and related parties - current	FLAC	24,369	24,369	—	24,369	—
Derivative Financial Instruments	FVPL	—	—	—	—	—
Other liabilities	FLAC	126,070	126,070	—	126,070	45,241
Thereof: aggregated by category according to IAS 39						
Loans and Receivables (LaR)		491,655	491,655	—	491,655	36,419
Available-for-Sale Financial Assets (Afs)		85	80	5	85	—
Financial liabilities carried at fair value through profit or loss (FVPL)		286	—	286	286	—
Financial liabilities measured at amortized cost (FLAC)		1,031,581	968,624	—	62,957	1,023,670
					45,241	

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Due to the short-term nature of cash and cash equivalents and the short-term maturities of trade receivables and liabilities and other current receivables and liabilities, their fair values are equal to their carrying amounts.

The following table shows the net gains and losses from the financial instruments recognized in the income statement.

	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012
Net gains or losses			
Receivables and payables	(1,132)	(5,482)	(1,617)
Financial liabilities measured at amortized cost	15,141	(9,053)	(5,093)

Net gains and losses from Receivables and payables are included in other operating income and expenses. Net gains and losses from financial instruments measured at amortized cost are part of finance cost and income.

Interest income and interest expense for financial assets and financial liabilities

	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012
Receivables and payables	1,390	1,067	1,174
Financial liabilities measured at amortized cost	29,577	30,174	14,456

Interest incomes from receivables are included in interest income, interest expense for financial liabilities measured at amortized cost are included in interest expense.

A.6.7.1.1 Financial instruments

The following table present the Group's financial assets and liabilities that are measured at fair value:

	Fair Value March 31, 2014	Level 1	Level 2	Level 3
Financial instruments				
Assets				
Available-for-Sale Financial Assets (Afs)	118	118	—	—
Derivative Financial Instruments	22	—	22	—
Liabilities				
Derivative Financial Instruments	1,051	—	1,051	—
	Fair Value March 31, 2013	Level 1	Level 2	Level 3
Financial instruments				
Assets				
Available-for-Sale Financial Assets (Afs)	82	82	—	—
Derivative Financial Instruments	424	—	424	—
Liabilities				
Derivative Financial Instruments	584	—	584	—
	Fair Value March 31, 2012	Level 1	Level 2	Level 3
Financial instruments				
Assets				
Available-for-Sale Financial Assets (Afs)	85	85	—	—
Derivative Financial Instruments	286	—	286	—
Liabilities				
Derivative Financial Instruments	—	—	—	—

Due to the short-term nature of cash and cash equivalents and the short-term maturities of trade receivables and liabilities and other current receivables and liabilities, their fair values are equal to their carrying amounts.

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The applicable interest rates for the major financial liabilities are variable and calculated based on the development of the 3 months Euribor/Libor plus spreads of 2.4% to 4.0%. The discount rate equals to LIBOR plus appropriate credit rating. Therefore the fair value of these loans approximately equals their carrying amount. The fair values are within level 2 of the fair value hierarchy.

A.6.7.1.2 Offsetting Financial Assets and Financial Liabilities:

The following table present the Group's financial assets and liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements:

As on March 31, 2014

Financial Assets

	<u>Gross amounts of recognized financial assets</u>	<u>Gross amounts of recognized financial liabilities set off in the Balance sheet</u>	<u>Net amounts of financial assets presented in the balance sheet</u>
Trade receivables	440,190	19,607	420,583

As on March 31, 2013

Financial Assets

	<u>Gross amounts of recognized financial assets</u>	<u>Gross amounts of recognized financial liabilities set off in the Balance sheet</u>	<u>Net amounts of financial assets presented in the balance sheet</u>
Trade receivables	435,181	10,672	424,509

As on March 31, 2012

Financial Assets

	<u>Gross amounts of recognized financial assets</u>	<u>Gross amounts of recognized financial liabilities set off in the Balance sheet</u>	<u>Gross amounts of recognized financial assets</u>
Trade receivables	434,382	11,326	423,056

A.6.7.2 Contingent Liabilities

In the ordinary course of business activities, the Group may be contingently liable for litigation and claims with customers, suppliers, former employees and other parties. In addition, the Group may be, or could become, liable to incur environmental remediation costs to bring environmental contamination levels back within acceptable legal limits. On an on-going basis, the Group assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. The required provision may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

The tax position taken by the Group with respect to certain transactions and calculations may be challenged by tax authorities for reasons including transfer pricing, the availability of deductions for interest expense and other deductible items, the treatment of acquisition, refinancing and reorganization transactions, intercompany funding arrangements, the application and effect of tax "holidays" and the calculation of deferred tax assets and liabilities. The Group does not expect any significant cash outflow in respect of these contingencies.

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Property, plant and equipment	41,163	3,742	15,019

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A.6.7.3 Operating Segment Information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (“CODM”) in taking strategic decisions. Those operating segments are SMR Group and SMRBV Group which are also the reportable segments.

SMR Group

SMR Group develops and produces a wide range of exterior mirrors from simple prismatic versions up to complex multi-function systems. In addition to the mirror technology, the Group develops and produces driver assistance systems such as detection systems in the door mirror for monitoring blind spots or mirror turn signals. It has production facilities and engineering centres in 14 countries across the globe.

SMRBV Group

SMRBV Group supplies plastic parts and system modules for vehicle interiors and exteriors. Products for vehicle interiors include in particular interior door panels and dashboards. For exteriors, bumpers and other bodywork components are manufactured. The product range encompasses individual parts and complete modules, with engineering and tooling services also being provided. It has production facilities and engineering centres in 7 countries across the globe.

The CODM considers revenues from external parties, EBITDA, profit before taxes and assets of each of the segments in taking strategic decisions. These amounts are measured in a manner consistent with that of the financial statements. Segment assets comprise of trade receivables, inventories and cash and cash equivalents. Geographically, the CODM considers the performance of sales in the Americas, Europe, and Asia Pacific.

Transfer prices for transactions between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

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	March 31, 2014		March 31, 2013		March 31, 2012						
	SMRBV	Inter-entity eliminations	SMR	SMRBV	SMR	SMRBV	Combined entity				
Segment revenue:											
Sales to external customers	1,082,140	(1,077)	2,996,930	969,711	1,822,610	(186)	2,792,135	842,284	635,407	1,477,691	
Intersegment sales	—	—	—	—	—	—	—	—	—	—	
Total revenue	1,082,140	(1,077)	2,996,930	969,711	1,822,610	(186)	2,792,135	842,284	635,407	1,477,691	
Results:											
EBITDA	101,331	104,111	205,442	63,681	60,313	123,994	41,637	44,201	85,838		
Depreciation and amortization	29,014	57,347	86,361	24,166	55,201	79,367	17,232	15,795	33,027		
Segment results	72,317	46,764	119,081	39,515	5,112	44,627	24,405	28,406	52,811		
Interest Income	2,408	14,123	16,531	736	331	1,067	834	340	1,174		
Interest expense	(7,932)	(22,564)	(30,496)	(9,461)	(30,686)	(40,147)	(8,005)	(12,437)	(20,442)		
Share of profit from joint venture	2,755	437	3,192	1,528	295	1,823	1,008	267	1,275		
Share of profit from associate	(48)	—	(48)	25	—	25	(14)	—	(14)		
Profit before tax	69,500	38,760	108,260	32,343	(24,948)	—	7,395	18,228	16,576	34,804	
Income Taxes	(17,083)	(11,469)	(28,552)	(13,449)	(6,864)	(20,313)	(9,511)	(2,124)	(11,635)		
Profit after tax	52,417	27,291	79,708	18,894	(31,812)	—	(12,918)	8,717	14,452	23,169	
Segment assets:											
Inventory, Debtors and Cash	276,159	379,152	22	655,333	263,474	368,016	(16)	631,474	225,980	391,252	617,232
Others	255,582	469,776	725,358	249,088	457,927	707,015	222,943	479,451	702,394		
Intersegment	—	—	—	—	—	—	—	—	—	—	
Total assets	531,741	848,928	22	1,380,691	512,562	22	1,338,489	448,923	870,703	1,319,626	
Other items:											
Capital expenditure	51,369	73,013	124,382	43,776	56,564	100,340	59,575	34,341	93,916		
Investment in joint venture	7,411	10,784	18,195	4,656	8,500	13,156	3,128	15,413	18,541		
Investment in associate	307	—	307	426	—	426	133	—	—	133	

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	March 31, 2014		March 31, 2013		March 31, 2012			
	SMR Group	SMRBV Group	Inter-entity eliminations	SMR Group	SMRBV Group	Inter-entity eliminations	SMR Group	SMRBV Group
Revenue by geographical areas								
Asia Pacific	346,375	216,365	—	562,740	339,484	—	529,110	304,016
Europe	522,342	1,552,646	(1,077)	2,073,911	460,909	(186)	1,925,358	416,098
The Americas	213,423	146,856	—	360,279	169,317	—	337,667	122,170
Others	—	—	—	—	—	—	—	—
	1,082,140	1,915,867	(1,077)	2,996,930	969,710	(186)	2,792,135	842,284
				1,822,611			635,407	
								1,477,691
Non Current Assets								
(excluding Deferred Taxes and Financial Instruments) ..	230,402	448,496	—	678,898	219,098	—	657,708	197,332
Sale to external customers above 10%								
Audi	49,556	709,762	—	759,318	36,488	—	643,824	22,998
Volkswagen	92,683	530,735	—	623,418	90,503	—	652,829	112,030
Seat	5,682	235,981	—	241,663	6,505	—	298,491	3,332
Hyundai	161,303	—	—	161,303	166,104	—	166,104	149,585
	309,224	1,476,478	—	1,785,702	299,600	—	1,761,248	287,945
								498,691
								786,636

* All sales made and non-current assets held are outside the country of incorporation of SMR and SMRBV.

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A.6.7.4 Risk management with respect to financial risks

The Group in its capacity as an internationally active supplier for the automobile industry is exposed to various risks with each of its business segments and products. The global presence and decentralized management structure with the main activities in the plants make an organized risk management system necessary. The regulations, instructions, implementation rules and, in particular, the regular communication throughout the tightly controlled management process consisting of planning, controlling and monitoring collectively form the risk management system used to define, record and minimize operating, financial and strategic risks.

The successful management of opportunities and risks is part of operating a business and is the primary task of all management personnel. During the regular management meetings at all management levels, opportunities, risks and optimization measures are subjected to systematic treatment. Rapid, open and unhindered communication between all levels of management on the risks and imminent exceptional situations ensure that potential risks can be identified at an early stage and their effects can be limited. Risk awareness and the integration of risk management into management personnel's on-going duties at an organizational level enable the Group to identify risks immediately and to eliminate them or to minimize their effects on the net asset, financial and income position.

A detailed examination has revealed that the risks detailed below are manageable for the SMRP Group.

The Group is exposed in particular to credit risks with regard to trade receivables, liquidity risks and market risks from changes in interest rates and exchange rates. The Group counters customer default risks by monitoring customers continuously and carrying out regular credit checks. Liquidity is secured by means of medium-term loans, pre-emptive liquidity planning and daily liquidity reporting. Interest and currency risks are monitored on a monthly basis centrally by the finance department and the Group's Board of Management.

The Group has developed guidelines on risk controlling and the use of financial instruments. These guidelines contain a clear allocation of duties. Risks are controlled and monitored by means of operational and financial measures.

The risks listed below are not so material that they would result in extraordinary concentrations of risk.

Credit risk

Credit risk is the risk of economic loss caused by a counterparty not fulfilling his contractual obligations with respect to repayment or the servicing of liabilities. The maximum amount of the credit risk is equal to the carrying amounts of the receivables. The Group has developed guidelines for the management of credit risk from trade receivables. The Group's primary customers are major European automobile manufacturers (OEMs) with good credit ratings. Non-OEM clients are subjected to credit assessments as a precautionary measure, and the adherence of all clients to payment due dates is monitored on an on-going basis, thereby practically eliminating the risk of default. Suppliers are also regularly subjected to monitoring and credit assessments. If critical changes arise, alternative suppliers are sought.

The Group has deposited liquid funds at various banking institutions. Primary banking institutions are major international banks. In long term credit ratings these banking institutions are considered to be investment grade.

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Changes to the impairment of receivables are as follows:

	March 31, 2014	March 31, 2013	March 31, 2012
As at beginning of the year	6,063	7,114	2,641
Addition on acquisition	—	—	4,307
Additions during the year	968	714	2,653
Amount utilized during the year	(228)	(517)	(1,901)
Unused amounts reversed	(855)	(1,270)	(668)
Exchange fluctuation	(111)	22	82
As at end of the year	5,837	6,063	7,114

The following table shows the extent of the overdue but not impaired financial assets:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-90 days	90-180 days	180-360 days	>360 days
March 31, 2014							
Trade receivables	420,583	407,551	7,462	2,169	1,520	945	936
Receivables from joint ventures and related parties	2,263	2,263	—	—	—	—	—
Cash and cash equivalents	85,701	85,701	—	—	—	—	—
Others	23,457	23,457	—	—	—	—	—
March 31, 2013							
Trade receivables	424,509	401,197	4,708	13,633	1,497	2,304	1,170
Receivables from joint ventures and related parties	1,941	1,941	—	—	—	—	—
Cash and cash equivalents	58,887	58,887	—	—	—	—	—
Others	21,330	21,330	—	—	—	—	—
March 31, 2012							
Trade receivables	423,056	397,400	13,332	5,675	3,996	1,552	1,101
Receivables from joint ventures and related parties	1,519	1,519	—	—	—	—	—
Cash and cash equivalents	45,223	45,223	—	—	—	—	—
Others	21,857	21,857	—	—	—	—	—

Impairment is recognized as soon as the carrying amount of an asset exceeds its recoverable amount. In general there are impairments for overdue receivables as a result of price, quality differences as well as discount differences, for uncertain receivables, law cases and overdue receivables. A receivable is completely impaired when recoverability is not probable.

Impairments are recognized in the income statement. The Group has not recognized any other impairment of financial instruments.

Overdue and unimpaired trade receivables are for the most part attributable to OEMs. The good credit rating of these clients means that there was no reason to impair these receivables as of the reporting date.

Liquidity risk

The liquidity risk encompasses any risk that the Group cannot fully meet its financial obligations. To manage the liquidity risk cash flow forecasting is performed in the operating entities of the group and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements - for

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example, currency restrictions. Furthermore, in the case of an expected breach of covenants Group management evaluates early counteractions to prohibit negative impacts for the Group out of a breach of covenants.

With respect to the acquisition of Peguform Group (see note A.6.3) also a new financing structure for the SMRBV Group was implemented. This comprises an € 190 million Acquisition Facility Agreement (AFA) dated November 2, 2011 mainly for the financing of the acquisition of Peguform Group as well as a € 180 million Non-recourse Facility Agreement (NRFA) dated November 2, 2011 for the financing of the operating business of the SMRBV Group.

Both facility agreements are subject to financial covenants. The calculation of the financial covenants of the Acquisition Facility Agreement bases on the figures of the shareholders MSSL and SMIL. The calculation of the financial covenants of the NRFA bases on the combined balance sheet and income statement of the Subgroup SMP Germany as well as Subgroup SMP Ibérica both part of the acquisition of SMP Group (Net Debt to Net Tangible Worth, Net Debt to EBITDA, Net Cash Accrual to Debt Service, Net Debt to Net Cash Accrual, Current Assets to Current Liabilities, Tangible Assets to Outstanding Facility Amount). In addition to these financial covenants on combined level there are also financial covenants to be calculated on Subgroup SMP Germany level (Total Debt to EBITDA) as well as Subgroup SMP Ibérica level (Total Debt to EBITDA). The Group has received consent from bankers dated February 19, 2014 for removal of covenant calculation at Subgroup SMP Ibérica level (Total Debt to EBITDA).

The financing structure at Samvardhana Motherson Reflectec Group Holdings Limited, Jersey comprise of long term borrowing facilities from banks mainly for financing the operating business. The calculation of the financial covenants of facility bases on the consolidated balance sheet and income statement of SMR Group. Covenants are applicable for an outstanding facility of USD 32 million from bank (Gearing Ratio, Debt Service Coverage Ratio), for an outstanding facility of USD 15 million from bank (Total Net Debt to Net Cash Accrual, Total Net Debt to Adjusted Tangible Net Worth) and for an outstanding facility of Euro 15 million (Total Net Debt to Net Cash Accrual, Debt Service Coverage Ratio, TOL/Tangible Net Worth).

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The following table shows the maturities of undiscounted cash flows from financial liabilities, including interest payments to be made by SMRP Group

<u>Financial Liabilities</u>	March 31, 2014			
	Less Than 1 Year	1 to 5 years	More than 5 years	Total
Borrowings - Liabilities to Banks	173,190	247,708	13,196	434,094
Finance lease liabilities	8,769	19,786	1,651	30,206
Trade payables	399,649	—	—	399,649
Liabilities due to shareholders & Related Parties	26,182	45,041	—	71,223
Other financial liabilities	115,810	17,827	5,001	138,638
Total	723,600	330,362	19,848	1,073,810

<u>Financial Liabilities</u>	March 31, 2013			
	Less Than 1 Year	1 to 5 years	More than 5 years	Total
Borrowings - Liabilities to Banks	330,967	210,338	4,329	545,634
Finance lease liabilities	8,344	24,745	2,622	35,711
Trade payables	355,056	—	—	355,056
Liabilities due to shareholders & Related Parties	15,207	21,242	—	36,449
Other financial liabilities	114,546	14,599	4,757	133,902
Total	824,120	270,924	11,708	1,106,752

<u>Financial Liabilities</u>	March 31, 2012			
	Less Than 1 Year	1 to 5 years	More than 5 years	Total
Borrowings - Liabilities to Banks	368,144	146,436	7,181	521,761
Finance lease liabilities	8,808	17,218	3,591	29,617
Trade payables	374,940	—	—	374,940
Liabilities due to shareholders & Related Parties	24,633	2,811	—	27,444
Other financial liabilities	73,573	49,619	4,150	127,342
Total	850,098	216,084	14,922	1,081,104

Market risk

The Group is also exposed to market risk with respect to changes in interest rates and foreign exchange rates. These changes may affect the operating result and financial position.

Interest rate risks mainly relate to bank borrowings due to variable interest rates depending on the development of the 3-months LIBOR/Euribor (for further details we refer to A.6.4.13). SMRP Group conducted sensitivity analyses at year-end to estimate the interest rate risks. If interest rate would increase (or decrease) by 10%, interest liabilities would increase (or decrease) by k€ 2,964 as on March 2014 (Previous Year March 2013: k€ 3,526 March 2012: k€ 1,805). Furthermore, interest rate risks are minimised by means of fixed interest rates agreed in the most significant leasing agreements for their entire term. SMRP currently sees no need to act with respect to the interest rate risk arising from bank borrowings as it is assumed that interest rates will remain low in the short term. Changes in interest rates and exchange rates are monitored in SMRP's Treasury division and hedged as appropriate for the future.

Foreign exchange risk arises from monetary receivables and obligations expressed in a currency other than the functional currency of a Group company. SMRP Group conducted sensitivity analyses at year-end to estimate the currency risk of these monetary financial instruments. This primarily concerns the US dollar. If the Euro were to increase (or decrease) by 10% against the US dollar, receivables would decrease (or increase) by k€ 2,820 as on March 2014 (Previous Year March 2013: k€ 3,430 March 2012: k€ 3,202), while liabilities would decrease (or increase) by k€ 22,292 as on March 2014 (Previous Year March 2013: k€ 24,700 March 2012: k€ 23,204). Net impact on Income

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statement will be gain / (loss) of k€ 19,472 as on March 2014 (Previous Year March 2013: k€ 21,270 March 2012: k€ 20,002). There is no financial instrument in place within SMRP Group to manage the foreign currency risk at the moment. The risk from other currencies is estimated to be minimal.

Receivables and liabilities in foreign currencies as of the reporting date are listed in the following table:

	<u>USD</u>	<u>GBP</u>	<u>RMB/CNY</u>
March 31, 2014			
Foreign Currency Receivables	26,095	9,173	5,327
Foreign Currency Liabilities	210,774	5,222	12
March 31, 2013			
Foreign Currency Receivables	31,380	9,857	—
Foreign Currency Liabilities	246,793	5,799	—
March 31, 2012			
Foreign Currency Receivables	28,351	9,005	—
Foreign Currency Liabilities	228,484	4,734	14

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group management determines the business policy for the various business segments and plants. Adherence to the determined general conditions and the achievement of the sales, profitability, financial and operating targets is coordinated and monitored centrally.

For this purpose, an important indicator for the Group is the gearing ratio of financial debt to shareholders' equity as shown in the IFRS combined statement of financial position. Since these terms are generally not governed by International Financial Reporting Standards their definition and calculation may vary from one company to another.

	<u>March 31, 2014</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Shareholders' equity	200,029	149,648	166,025
Shareholders' equity	200,029	149,648	166,025
in % of total capital	33%	23%	26%
Non-current financial liabilities ¹	266,557	221,006	144,005
Current financial liabilities ²	165,169	319,874	359,448
Loan from Related Parties	56,076	22,362	14,250
Total Debt	487,802	563,242	517,703
Less : Cash & Cash Equivalents	(85,701)	(58,887)	(45,223)
Debt (Net)	402,101	504,355	472,480
in % of total capital	67%	77%	74%
Total capital as defined for capital management purposes	602,130	654,003	638,505

1 Non-current financial liabilities include borrowings as on March 2014 of k€ 246,842 (Previous Year March 2013: k€ 196,598, March 2012 k€ 126,326), finance lease liabilities as on March 2014 of k€ 19,715 (Previous Year March 2013: k€ 24,408, March 2012: k€ 17,679).

2 Current financial liabilities include borrowings as on March 2014 of k€ 157,602 (Previous Year March 2013: k€ 313,027, March 2012 k€ 351,984), finance lease liabilities as on March 2014 of k€ 7,567 (Previous Year March 2013: k€ 6,847, March 2012: k€ 7,464).

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A.6.7.5 Other financial obligations

The following table shows the future financial obligations arising from long-term rental and leasing contracts.

Future Minimum Lease Payments under Operating Non Cancellable Leases

	March 31, 2014	March 31, 2013	March 31, 2012
Not later than one year	12,818	9,071	9,854
After one year but not more than five years	24,384	20,519	19,626
More than five years	8,206	3,587	3,462
Total	45,408	33,177	32,942

Future Minimum Lease Payments under Finance Lease

	March 31, 2014	March 31, 2013	March 31, 2012
Future minimum payments due:			
Not later than one year	8,769	8,345	8,808
After one year but not more than five years	19,786	24,745	17,218
More than five years	1,651	2,621	3,591
	30,206	35,711	29,617
Less finance charges allocated to future periods	2,924	4,456	4,474
Present value of future minimum lease payments	27,282	31,255	25,143
Current	7,567	6,847	7,464
Non-current	19,715	24,408	17,679
	27,282	31,255	25,143

A.6.7.6 Related parties

During the year the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, include the sale and purchase of goods and services. In addition, financing transactions have been undertaken.

Entities with joint control over the Group

SMRBV Group and SMR Group were jointly controlled by Motherson Sumi Systems Limited and Samvardhana Motherson International Limited prior to June 13, 2014. On June 13, 2014 SMRP acquired the majority of the outstanding shares of SMR Group through the issuance of new shares to the shareholders of SMR Group. (see note A.6.2.1)

Samvardhana Motherson Global Holdings Limited, Cyprus, the direct parent company of Samvardhana Motherson Automotive Systems Group B.V (SMRP) (earlier known as Samvardhana Motherson B.V.) holds 69% of the voting shares of the Group.

Samvardhana Motherson Polymers Limited, India holds 31% of the voting shares of SMRP.

Samvardhana Motherson Global Holdings Limited and Samvardhana Motherson Polymers Limited itself is indirectly held by both MSSL, India, which prepares financial statements available for public use and by SMIL, India. MSSL and SMIL are referred to as the substantial shareholders of the Group.

SMIL is owned by Mr. V.C. Sehgal and family. SMIL holds an equity interest (36.12%) in MSSL.

As a result, MSSL and SMIL and its direct and indirect held subsidiaries, except for the companies forming the subgroup of Samvardhana Motherson Automotive Systems Group B.V are considered as related parties.

The SMR Group and SMRBV Group were managed as a part of the larger Group. Also there will be a change in key management structure post common control business combination as discussed in note A.6.2.1. Accordingly, these financial statements does not include details of compensation in respect of key management personnel.

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Details of related party transactions

	Year ended March 31, 2014					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture of holding companies	Entities in which Key management personnel hold significant influence	Total
Sales	648	—	1,028	32	—	1,708
Purchases	19,221	62	30,221	17	9,967	59,488
Interest and similar income	—	—	27	—	—	27
Miscellaneous expenses	426	1,668	4,143	6	—	6,243
Inter corporate and Security deposits given	—	28	2,000	4,451	—	6,479
Repayment of inter-corporate deposit ..	—	—	16,030	—	—	16,030
Inter - corporate deposits taken	23,986	—	26,328	—	—	50,314
Receipt of Inter-corporate deposit given	—	—	2,000	4,451	—	6,451
Rental income	—	—	159	—	—	159
Purchase of assets ...	—	260	177	89	—	526
Miscellaneous income	505	8	456	—	203	1,172

Details of related party balances

	As on March 31, 2014					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture of holding companies	Entities in which Key management personnel hold significant influence	Total
Receivables	518	100	1,102	21	—	1,741
Payables	4,132	1,345	6,562	2	—	12,041
Security Deposits						
Receivable	—	382	—	—	—	382
Loans Payable	23,939	—	32,137	—	—	56,076

Details of related party transactions

	Year ended March 31, 2013					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture of holding companies	Entities in which Key management personnel hold significant influence	Total
Sales	466	—	338	—	2,967	3,771
Purchases	21,883	47	18,616	8	6,145	46,699
Miscellaneous expenses	612	1,014	3,919	28	—	5,573
Security deposits given	—	143	—	—	—	143
Repayment of inter-corporate deposit	—	400	2,800	—	—	3,200
Inter-corporate deposits taken	—	400	11,205	—	—	11,605
Proceeds from issue of share capital	7,431	—	—	—	—	7,431
Rental income	—	—	83	—	—	83
Purchase of assets	27	339	277	9	—	652
Miscellaneous income	308	—	492	0	—	800

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Details of related party balances

	As on March 31, 2013					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture of holding companies	Entities in which Key management personnel hold significant influence	Total
Receivables	290	5	119	—	—	414
Payables	5,682	117	5,306	31	941	12,077
Security Deposits Payable . . .	—	—	44	—	—	44
Security Deposits						
Receivable	—	359	—	—	—	359
Loans Payable	—	—	22,362	—	—	22,362

Details of related party transactions

	Year ended March 31, 2012					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture of holding companies	Entities in which Key management personnel hold significant influence	Total
Sales	204	—	425	—	—	629
Purchases	18,515	71	11,483	3	—	30,072
Miscellaneous expenses	516	1,241	3,188	—	—	4,945
Inter-corporate deposits taken	—	—	14,250	—	—	14,250
Purchase of assets	285	1,002	271	—	—	1,558
Miscellaneous income	165	—	141	—	—	306

Details of related party balances

	As on March 31, 2012					
	Substantial shareholders	Entities in which V.C. Sehgal and family holds significant influence	Fellow Subsidiaries	Joint venture of holding companies	Entities in which Key management personnel hold significant influence	Total
Receivables	43	215	156	3	—	417
Payables	6,264	345	5,761	2	—	12,372
Security Deposits						
Receivable	33	—	2	—	—	35
Loans Payable	—	—	14,250	—	—	14,250

A.6.7.7 Accounting estimates and evaluations

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Determination of the useful life of intangible assets and fixed assets (see A.6.4.1 and A.6.4.2).
- Valuation of customer and engineering agreements as well as technology and fixed assets, particularly with regard to their underlying cash flow forecasts and discount rates (see A.6.4.1 and A.6.4.2).
- Determination of the level of completion, the contract revenues and contract costs of construction contracts. The Group uses the percentage-of-completion method in accounting for its fixed price contracts to deliver design services. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. (see A.6.4.8.1).

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- Valuation of recoverable income tax assets especially with respect to deferred tax assets on tax loss carry forwards. The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. (see A.6.4.15 and A.6.6).
- Recognition and presentation of provisions and liabilities for pensions and other post-employment benefits. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. (see A.6.2.14.1 and A.6.4.11).
- Recognition and presentation of provisions and liabilities (esp. the accrual for price differences and the liabilities out of contract work) and to the probability of expenses arising from warranty claims and claims from legal disputes. Price accruals primarily represent the amount of price down to be given to customers, the final outcome of these price accruals is dependent on negotiation with customers. (see A.6.2.14, A.6.2.16 and A.6.2.17).
- Valuation of the redemption liability with respect to the Put/Call-Option (see A.6.2.3).

These estimates and assumptions are based on the latest information available at the time that the combined financial statements were prepared. The assumptions and estimates are checked and updated regularly to accommodate any actual developments that may arise.

A.6.8 Subsequent Events

- On January 17, 2014, Samvardhana Motherson Global Holdings Limited, Cyprus along with Dr. Alfred Robert Schefenacker (together holding 95.1% of shareholding of Samvardhana Motherson Reflectec Group Holdings Limited, Jersey) jointly made offer to purchase shares of minority shareholders. The rationale behind the offer was to enable the majority shareholders to become the owner of whole of issued share capital and to have full control of SMR Group and to provide a liquidity event to the minority shareholders.

Upon acceptance of offer, shares were acquired by majority shareholders during April 2014 except for one shareholder who was untraceable to accept the offer. Petition was filed in the Royal Court of Jersey to squeeze out untraceable minority shareholder. Consequent to receipt of favorable order from court, shares were transferred in favor of majority shareholders on June 9, 2014.

Subsequent to minority buyout, revised shareholding of the SMR Jersey was as under:

Samvardhana Motherson Global Holdings Limited, Cyprus	98.45%
Dr. Alfred Robert Schefenacker	1.55%

- SMR Automotive Mirror Technology Hungary Bt entered into facility agreement dated March 24, 2014 with HDFC Bank Limited for sanctioned amount of € 25Mio. The company has drawn € 20Mio on April 11, 2014. This loan is secured by charge over fixed assets (land, building, plant & machinery and / or equipments) covering at least 1.33x of the loan value of SMR Automotive Mirror Technology Hungary Bt and additionally by a corporate guarantee by Samvardhana Motherson Reflectec Group Holdings Limited, Jersey.

Combined Financial Statements — (Continued)
All amounts in Euro'000, unless otherwise stated

- Samvardhana Motherson Automotive Systems Group B.V along with Samvardhana Motherson Global Holdings Limited hold 83.72% of the share capital of SMP Deutschland GmbH and SMP Automotive Technology Iberica S.L., the remaining 16.28% stake is held by PF Beteiligungsverwaltungs (Cross Industries AG). PF Beteiligungsverwaltungs exercised put option for 16.28% held by them in SMP Deutschland GmbH and SMP Automotive Technology Iberica S.L. in accordance with the framework agreement. Total consideration for sale of 16.28% take will be approximately € 29 Mio. (proportionate acquisition price). The transaction is expected to close in June 2014.
- During April 2014, Samvardhana Motherson Reflectec Group Holdings Limited, Jersey repaid two outstanding shareholder loans in aggregate principal amount of €6.0 million.
- SMRP acquired shareholding of SMR (see note A.6.2.1)
- On May 20, 2014, Samvardhana Motherson Automotive Systems Group B.V entered into a loan agreement with MSSL Mideast (FZE) in the amount of \$3.0 million and Samvardhana Motherson Peguform GmbH entered into an additional loan agreement with MSSL Mideast (FZE) in the amount of \$5.4 million.

Signing of the financial statements

G. N. Gauba

Managing Director
India, June 18, 2014

Andreas Heuser

Managing Director
Germany, June 18, 2014

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